

CITY OF CLEWISTON, FLORIDA

Annual Financial Report

September 30, 2016

**CITY OF CLEWISTON, FLORIDA**

**Table of Contents**

**September 30, 2016**

	<u>Pages</u>
Independent Auditor's Report	1-3
Management's Discussion and Analysis (unaudited)	4-12
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	13
Statement of Activities	14-15
Fund Financial Statements	
Governmental Funds	
Balance Sheet	16
Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Position	17
Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds	18-19
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Proprietary Funds	
Statement of Net Position	21-22
Statement of Revenues, Expenses, and Changes in Net Position	23
Statement of Cash Flows	24-25
Fiduciary Fund	
Statement of Fiduciary Net Position	26
Statement of Changes in Fiduciary Net Position	27
Notes to Financial Statements	28-74
Required Supplementary Information	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Governmental Funds	75-78
Notes to Budgetary Comparison Schedule - Governmental Funds	79
Florida Retirement System	
Schedule of Employer Proportionate Share of Net Pension Liability - Florida Retirement System Pension Plan	80
Schedule of Employer Contributions - Florida Retirement System Pension Plan	81
Schedule of Employer Proportionate Share of Net Pension Liability - Florida Retirement System Retiree Health Insurance Subsidy Program	82
Schedule of Employer Contributions - Florida Retirement System Retiree Health Insurance Subsidy Program	83

**CITY OF CLEWISTON, FLORIDA**  
**Table of Contents (continued)**  
**September 30, 2016**

	<u>Pages</u>
Required Supplementary Information (continued)	
Frozen Defined Benefit Retirement Plan	
Schedule of Changes in the City's Net Pension Liability and Related Ratios	84
Schedule of Employer Contributions	85
Schedule of Investment Returns	86
Notes to Required Supplementary Information - Frozen Defined Benefit Retirement Plan	87
Other Supplemental Schedules	
Schedule of Revenues and Expenses - Business-type Activities - Water and Sewer Fund - Water and Sewer Systems	88
Schedule to Determine Compliance with Interlocal Fire Protection Agreement	89
Schedule to Determine Compliance with Interlocal Animal Control Agreement	90
Schedule of Expenditures of Federal Awards and State Financial Assistance and Notes to Schedule	91-93
Other Auditor's Reports and Management Letter	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	94-95
Schedule of Findings and Responses	96
Independent Accountant's Report on Compliance with the Requirements of Section 218.45, Florida Statutes	97
Independent Auditor's Management Letter	98-100
City's Response to Findings in the Schedule of Findings and Responses and Management Letter	101

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Honorable Mayor and City Commissioners  
City of Clewiston, Florida

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Clewiston, Florida, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Clewiston, Florida's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Clewiston, Florida, as of September 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-12 and other required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Clewiston, Florida's, basic financial statements. The supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2017, on our consideration of the City of Clewiston, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Clewiston, Florida's internal control over financial reporting and compliance.

Boy, Miller, Kisker & Perry, P.A.

Clewiston, Florida  
June 21, 2017

## **CITY OF CLEWISTON, FLORIDA MANAGEMENT'S DISCUSSION AND ANALYSIS**

Management's discussion and analysis presents a narrative overview and analysis of the City of Clewiston's (City) financial performance for the fiscal year ended September 30, 2016. It is designed to provide a broad overview and a short and long-term analysis of the City's activities based on information presented in the financial statements. Specifically, this information is designed to assist the reader in focusing on significant financial issues, provide an overview of the City's financial activities, identify changes in the City's financial position (its ability to address the next and subsequent years' challenges), clarify material deviations from the approved budget, and explain individual fund issues. We encourage readers to consider the information presented here in conjunction with the City's basic financial statements (beginning on page 13) and notes to the financial statements (pages 28-74).

### **HIGHLIGHTS**

#### **Financial Highlights for the Fiscal Year Ended September 30, 2016, and Subsequent Financial Information are shown below.**

1. The City's overall net position decreased by \$996,477.
2. The total cost of all the City's programs was \$23,223,324 which was \$248,497 more than the prior year.
3. The City's governmental activities decreased net position by \$140,278 as a result of program and general revenues under expenses of \$1,578,426 plus internal transfers-in of \$1,438,148.
4. During the year, the City had expenses of \$7,878,362 for governmental activities, which was \$127,530 less than the prior year.
5. The City's business-type activities decreased net position by \$856,199 as a result of program and general revenues in excess of expenses of \$581,949 minus internal transfers-out of \$1,438,148.
6. During the fiscal year ended September 30, 2016, the Police Department utilized two (2) Justice Assistance Grants totaling \$7,386. These grants were used to continue updating the department's mobile communication equipment to "UHF with P25 compatibility". This is a continuing project anticipated to ensure more reliable and secure radio communications for emergency services.
7. The State Aid to Libraries Grant totaled \$178,852 for fiscal year 2016. The library system received three (3) additional grants totaling \$110,790. The Hendry County Board of County Commissioners' grant was discretionary funds in the amount of \$75,790 for the library system support. The Southwest Florida Community Foundation continued to fund the program called I-Help in the amount of \$30,000, which offered various tutoring programs at all three library branches. The Howard E. Hill Foundation grant in the amount of \$5,000 was used to support library services, which allowed for the launch of a satellite library branch in the rural area of Montura.
8. In accordance with an interlocal agreement, the City received \$120,000 from Hendry County as recreational support for City facilities used by City and County citizens. As part of this agreement, the City also received \$44,391 in funding from the County to provide recreational services for East County Recreation. These services consisted of staffing, supervision, and supplies at the Harlem Gym and James E. Mason Pool. In September 2016, the City and County entered into a new interlocal recreational support agreement, effective October 1, 2016. This agreement specifies that the County will provide annual recreational support in the amount of \$150,000 for City facilities used by City and County citizens. The City and County did not renegotiate for the City to provide services for East County Recreation. The City continued discussions with Hendry District Schools regarding an agreement with the School Board for supporting City recreational facilities as the school system utilizes City facilities for a portion of their sports activities.

9. The City utilized grant funds in the amount of \$75,500 from the Florida Fish and Wildlife Conservation Commission Florida Boating Program to complete parking and drainage improvements to the boat basin area.
10. The City received grant funds through the Florida Department of Economic Opportunity in the amount of \$30,000 during the fiscal year ended September 30, 2016, for technical assistance in developing a Main Street Revitalization Plan. The City partnered with the Southwest Regional Planning Council who provided the technical assistance to develop the plan.
11. The City completed a major project of refurbishing the greens at their municipal golf course. The project was funded with a loan from the Water and Sewer Fund totaling \$125,000 and a contribution from the United States Sugar Corporation in the amount of \$25,000. The City plans to repay the loan from the Water and Sewer Fund with reserves from golf course capital improvement fees during the fiscal year 2017.
12. The City purchased ten cars for the police department and two tractors for the Sugarland Park Complex with a loan in the amount of \$350,000 from the First Bank of Clewiston. Principal and interest for the loan will be paid in five annual installments beginning January, 2017.
13. Utilizing a grant from the Florida Department of Transportation Small County Outreach Program in the amount of \$295,000, during the fiscal year ended September 30, 2016, the City commenced work on a drainage project on West Pasadena Avenue. Construction on this project is expected to conclude in fiscal year 2017.
14. The City has been approved to receive financial assistance from the Florida Department of Environmental Protection State Revolving Fund through a low interest loan/grant in the amount of \$993,890 for the construction of a major sewer (main sewer lift station) rehabilitation project. The financial assistance includes up to approximately \$373,220 in loan forgiveness. The project is scheduled to begin in fiscal year 2017.
15. The City received state funding in the amount of 1.5 million dollars for the construction of a new Police Station with the grant period beginning July 1, 2016 and ending June 30, 2017. The design and construction of the project must be completed within the grant period. The Florida Department of Law Enforcement grant division is administering the funding assistance. In February 2017, due to the cost of the construction phase of the project and the deadlines involved, the Commission rejected the bids for the project construction. Due to these circumstances, the grant is expected to be utilized for the design phase of the project only. The City plans to request state funding for the balance of the unused grant funds during the State's fiscal year budget 2017-2018. Should this request be granted, the City will plan to complete the Police Station project during fiscal year 2018.
16. The City will receive funding from the Florida Department of Transportation Highway Beautification Grant in the amount of \$101,700 for a landscape project. The grant stipulates a City grant match of \$23,746 and will provide trees and irrigation along the U.S. Highway 27 Corridor in Clewiston. The project is expected to be completed in fiscal year 2017.



## USING THIS ANNUAL REPORT

### Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

#### Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents financial information on all of the City's assets, liabilities, and deferred inflow/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will result in cash flows in future fiscal periods.

#### Governmental Activities

Most of the City's basic services are reported in the governmental activities including police, fire, animal control, streets and street lighting, library, parks and recreation, and general administrative. Property taxes, utility taxes, franchise fees, and intergovernmental revenues finance most of these activities.

#### Business-type Activities

The City provides electric, water, sewer, and solid waste services through customer charges that help the City recover the cost of these services. The City's Electric Fund, Water and Sewer Fund, and Solid Waste Fund are reported as business-type activities.

#### Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over financial resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary fund. The main features of each are described on the next page.

#### Governmental Funds

Most of the City's basic services are reported in governmental funds, which report how money flows within these funds and the resulting balances at year-end that are available for spending. These funds are reported using the modified accrual accounting method, which measures cash and all other financial assets that are considered liquid. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine financial resources that are available in the near future to finance the City's programs.

The similarities and differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds can be understood by an analysis of the reconciliations on the schedules included in the basic financial statements on pages 17 and 20.

### Proprietary Funds

The City's charges for electric, water, sewer, and solid waste collection services and related expenses are reported in the proprietary funds. Proprietary funds are reported using the same accounting method that is used to report these activities in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for the proprietary funds.

### Fiduciary (Trust) Fund - The City as a Trustee

The City is the trustee, or fiduciary, for the City Employees' Pension Trust Fund. The City's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on pages 26 and 27. We excluded these activities from the City's other financial statements because the City can only use these assets to provide pension benefits to participants in the pension plan.

### Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28-74.

### Other Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information, including a budgetary comparison schedule for the governmental funds, and detailed information concerning the City's obligation to provide pension benefits to its employees. The required supplementary information can be found on pages 75-87 of this report.

Additional supplemental schedules are included in this report on pages 88-93 to provide information about interlocal agreements, breakdown of revenue and expenses for the water and sewer systems, and federal and state financial assistance.

## **THE CITY AS A WHOLE**

### **Financial Analysis of the City as a Whole**

During the fiscal year ended September 30, 2016, the City's combined net position decreased to \$33.60 million from \$34.59 million at the beginning of the year, or \$.99 million. The City's net position of the governmental activities decreased \$140,278. Net position of the business-type activities decreased \$856,199. The City's unrestricted net position for governmental activities (the part of net position that can be used to finance day-to-day operations) was a deficit of \$3.36 million as of September 30, 2016.

The condensed Statement of Net Position and Statement of Activities on the following pages provide a comprehensive analysis of the government-wide financial information for the fiscal years ended September 30, 2016, and September 30, 2015.

## GOVERNMENT WIDE STATEMENTS

### Statement of Net Position

The following table reflects the condensed Statement of Net Position broken down by governmental activities and business-type activities for the current and preceding years:

#### Summary of Statement of Net Position as of September 30, 2016 and September 30, 2015 (in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 503	\$ 293	\$ 12,515	\$ 12,482	\$ 13,018	\$ 12,775
Capital assets	9,203	8,836	31,640	32,926	40,843	41,762
Total assets	<u>9,706</u>	<u>9,129</u>	<u>44,155</u>	<u>45,408</u>	<u>53,861</u>	<u>54,537</u>
Deferred outflows of resources	<u>1,393</u>	<u>858</u>	<u>336</u>	<u>371</u>	<u>1,729</u>	<u>1,229</u>
Total assets and deferred outflows of resources	<u>11,099</u>	<u>9,987</u>	<u>44,491</u>	<u>45,779</u>	<u>55,590</u>	<u>55,766</u>
Long-term liabilities	3,350	2,666	14,417	15,110	17,767	17,776
Other liabilities	1,619	1,357	1,702	1,724	3,321	3,081
Total liabilities	<u>4,969</u>	<u>4,023</u>	<u>16,119</u>	<u>16,834</u>	<u>21,088</u>	<u>20,857</u>
Deferred inflows of resources	<u>621</u>	<u>315</u>	<u>283</u>	<u>-</u>	<u>904</u>	<u>315</u>
Total liabilities and deferred inflows of resources	<u>5,590</u>	<u>4,338</u>	<u>16,402</u>	<u>16,834</u>	<u>21,992</u>	<u>21,172</u>
Net position:						
Invested in capital assets, net of related debt	8,853	8,836	17,174	17,994	26,027	26,830
Restricted	18	39	3,734	3,711	3,752	3,750
Unrestricted	<u>(3,362)</u>	<u>(3,226)</u>	<u>7,181</u>	<u>7,240</u>	<u>3,819</u>	<u>4,014</u>
Total net position	<u>\$ 5,509</u>	<u>\$ 5,649</u>	<u>\$ 28,089</u>	<u>\$ 28,945</u>	<u>\$ 33,598</u>	<u>\$ 34,594</u>

For more detailed information, see the Statement of Net Position on page 13.

## Statement of Activities

The following table reflects the condensed Statement of Activities, which shows the revenues and expenses of the total primary government broken down by governmental activities and business-type activities for the current and preceding years:

**Summary of Statement of Activities  
for the Fiscal Years Ended September 30, 2016  
and September 30, 2015 (in thousands)**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Revenues						
Program revenues						
Fees, fines and charges for services	\$ 2,322	\$ 2,214	\$ 15,748	\$ 15,490	\$ 18,070	\$ 17,704
Operating grants and contributions	407	436	-	-	407	436
Capital grants and contributions	313	64	120	23	433	87
General revenues						
Property taxes	1,186	1,223	-	-	1,186	1,223
Other taxes	1,369	1,278	-	-	1,369	1,278
Intergovernmental	599	537	-	-	599	537
Other	104	217	59	53	163	270
Transfers - internal	<u>1,438</u>	<u>1,421</u>	<u>(1,438)</u>	<u>(1,421)</u>	<u>-</u>	<u>-</u>
Total revenues	<u>7,738</u>	<u>7,390</u>	<u>14,489</u>	<u>14,145</u>	<u>22,227</u>	<u>21,535</u>
Expenses						
General government	1,646	1,446	-	-	1,646	1,446
Public safety	2,821	2,516	-	-	2,821	2,516
Physical environment	338	357	-	-	338	357
Public works	616	800	15,345	14,969	15,961	15,769
Culture and recreation	2,255	2,388	-	-	2,255	2,388
Economic environment	72	368	-	-	72	368
Human services	<u>130</u>	<u>131</u>	<u>-</u>	<u>-</u>	<u>130</u>	<u>131</u>
Total expenses	<u>7,878</u>	<u>8,006</u>	<u>15,345</u>	<u>14,969</u>	<u>23,223</u>	<u>22,975</u>
Changes in net position	<u>\$ (140)</u>	<u>\$ (616)</u>	<u>\$ (856)</u>	<u>\$ (824)</u>	<u>\$ (996)</u>	<u>\$ (1,440)</u>
Ending net position	<u>\$ 5,509</u>	<u>\$ 5,649</u>	<u>\$ 28,089</u>	<u>\$ 28,945</u>	<u>\$ 33,598</u>	<u>\$ 34,594</u>

For more detailed information, see the Statement of Activities on pages 14-15.

## **Governmental Activities**

The decrease in net position of governmental activities for the fiscal year ended September 30, 2016, was \$140,278 which resulted from governmental activities program and general revenues and internal transfers-in which were less than expenses. Depreciation on governmental activities capital assets was \$603,378 for the fiscal year ended September 30, 2016.

## **Business-type Activities**

The decrease in net position of business-type activities for the fiscal year ended September 30, 2016, was \$856,199 which was a result of business-type activities charges for services, capital contributions, and other income under the total of expenses and internal transfers-out. Depreciation on business-type activities capital assets was \$1,323,326.

## **THE CITY'S FUNDS**

### **Governmental Type Funds**

As of September 30, 2016, the governmental funds (as presented on page 16) reported a deficit fund balance of \$.38 million which is \$.17 million less than at the beginning of the year (\$.55 million deficit fund balance). The governmental funds experienced a net increase in their combined fund balances of \$167,666 due to revenues, transfers-in, and loan proceeds which were over expenditures during the fiscal year ended September 30, 2016, using the modified accrual basis of accounting. The adjustments to reconcile the \$167,666 increase in the fund balance of the governmental funds to the \$140,278 decrease in net position of governmental activities is shown on page 20.

### **Business-type Funds**

As of year-end, the business-type funds (Electric Fund, Water and Sewer Fund, and Solid Waste Fund) reported a combined net position of \$28.09 million which is 2.94% less than at the beginning of the year (\$28.94 million).

The business-type funds decrease in net position resulted primarily from operating income in the amount of \$1,008,140 less interest expense of \$604,635 and less operating transfers-out in the amount of \$1,438,148.

### **Governmental Funds Budgetary Highlights**

Over the course of the year, the City Commission made revisions to the City's budget. Certain budget amendment transfers were made during the year to address line item over-expenditures in certain departments by moving previously budgeted funds, sometimes from other departments, which had been under-expended. Also, budget amendments were made for unanticipated revenues, such as grants, other contributions, and loan proceeds which increased revenues and current expenditures by the same amount.

The Governmental Fund's actual revenues were \$38,619 greater than budgeted.

The Governmental Fund's actual expenditures were \$314,562 less than budgeted. Areas where the actual expenditures were less than budgeted included general government, transportation, culture and recreation, and human services.

The budgetary comparison schedule and notes for the governmental funds is shown on pages 75-79.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of the fiscal year, the City had \$40,843,442 (net of depreciation) invested in a broad range of capital assets, including land and buildings, police, fire, and public works equipment, library, parks, and recreational facilities, solid waste collection equipment, and electric, water, and sewer utility systems. This amount represents a net decrease (including additions, deletions, and current depreciation) of \$918,745. See Note 7 in the notes to the financial statements for detailed changes in capital assets.

#### Capital Assets at Year End (Net of Depreciation)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Land and improvements	\$ 4,426,656	\$ 4,080,655	\$ 670,142	\$ 670,142	\$ 5,096,798	\$ 4,750,797
Buildings, utility treatment plants and systems	1,623,092	1,705,324	29,718,508	30,770,436	31,341,600	32,475,760
Equipment, furniture, and fixtures	1,228,322	990,809	1,251,579	1,485,096	2,479,901	2,475,905
Roads and streets	<u>1,925,143</u>	<u>2,059,725</u>	<u>-</u>	<u>-</u>	<u>1,925,143</u>	<u>2,059,725</u>
Totals	<u>\$ 9,203,213</u>	<u>\$ 8,836,513</u>	<u>\$ 31,640,229</u>	<u>\$ 32,925,674</u>	<u>\$ 40,843,442</u>	<u>\$ 41,762,187</u>

The City budgeted an additional \$2.79 million in capital expenditures for the fiscal year ended September 30, 2017, which consisted of \$1.52 million in capital expenditures in the governmental funds and \$1.27 million in capital expenditures in the business-type funds.

### Debt

At September 30, 2016, the City had \$18,185,789 in notes, repayment agreement, and bonds payable to outside creditors and net pension liability outstanding versus \$18,088,533 at September 30, 2015, an increase of .54%, as shown in the schedule below.

#### Outstanding Debt at Year End

	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Notes payable	\$ 350,000	\$ -	\$ 1,439,760	\$ 1,686,913	\$ 1,789,760	\$ 1,686,913
FDEO repay. agreement	292,447	324,941	-	-	292,447	324,941
Revenue bonds payable (secured by water and sewer net revenue)	-	-	13,027,000	13,245,000	13,027,000	13,245,000
Net pension liability	<u>2,651,131</u>	<u>2,188,837</u>	<u>425,451</u>	<u>642,842</u>	<u>3,076,582</u>	<u>2,831,679</u>
Totals	<u>\$ 3,293,578</u>	<u>\$ 2,513,778</u>	<u>\$ 14,892,211</u>	<u>\$ 15,574,755</u>	<u>\$ 18,185,789</u>	<u>\$ 18,088,533</u>

During the fiscal year ended September 30, 2015, the City signed a repayment agreement with the Florida Department of Economic Opportunity to repay \$324,941 in CDBG grant funds over a five-year period, due to employment goals required by the grant which were not achieved.

Also, during the fiscal year ended September 30, 2015, the City implemented GASB 68 and 71 related to accounting and financial reporting for pensions. The implementation of these statements resulted in a restatement of the City's beginning net position, as of September 30, 2014, as well as related deferred outflows of resources and deferred inflows of resources due to recording the City's net pension liability on the statement of net position.

See Note 9 beginning on page 47 for more information about the City's debt, such as interest rates and amortization of debt.

Other obligations of the City include accrued vacation pay (See Note 8) and advances from another City fund.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The City Commission considered many factors while determining the fiscal year 2017 budget, setting the new millage rate, and analyzing the fees which will be charged by the business-type activities. One of those factors was the economy.

Clewiston's local economy consists largely of agribusiness, retail, and service industries. Some of the largest business entities in the Clewiston area include sugar and citrus growers, general merchandise, and grocery retail establishments. The City's unemployment rate in April, 2017, was approximately 6% on an annual basis which was lower than previous years. The City of Clewiston's population has increased from 6,085 in April, 1990, to a current population of approximately 7,500 people.

The current real estate market and general economy in Hendry County and surrounding areas caused a considerable slowdown that is now beginning to pick back up. While activity has not resumed at the pre-recession pace, it appears the local market and economy is beginning to recover. Some activity is resuming and several projects have been permitted and constructed, continuing to lower the unemployment rate by a small margin. The future prospects are once again beginning to look more positive.

The City budgeted government-wide revenues of \$26.03 million, including grant revenues of \$2.81 million, and government-wide expenditures of \$26.3 million, including \$2.79 million in capital expenditures, for the fiscal year ended September 30, 2017. If the budgeted revenues and expenditures are realized, the City's financial reserves will remain approximately the same during fiscal year 2017. The millage rate for the fiscal year ended September 30, 2017, was set at 6.0314 mills. This millage rate is the same as the millage rate used in the previous fiscal year.

### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with an understanding of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this financial report or need additional information, contact the City Finance Department at the City of Clewiston, 115 West Ventura Avenue, Clewiston, Florida 33440

CITY OF CLEWISTON, FLORIDA  
Government-wide Statement of Net Position  
September 30, 2016

	Governmental Activities	Business-type Activities	Totals
Assets			
Cash	\$ 2,075	\$ 600	\$ 2,675
Investments	1,764,672	1,773,771	3,538,443
Receivables, net			
Accounts	280,635	2,232,568	2,513,203
Assessments	54,589	906,816	961,405
Taxes	4,713	-	4,713
Interest	-	36,546	36,546
Inventory	117,356	502,815	620,171
Due from other governments	464,148	-	464,148
Internal balances	(2,534,690)	2,534,690	-
Note receivable	345,880	-	345,880
Prepaid expense	3,585	-	3,585
Restricted assets			
Investments	-	4,100,993	4,100,993
Accounts receivable - FMPA	-	425,207	425,207
Capital assets			
Land	2,457,334	670,142	3,127,476
Depreciable capital assets, net	6,712,758	29,852,671	36,565,429
Construction in progress	33,121	1,117,416	1,150,537
Total assets	<u>9,706,176</u>	<u>44,154,235</u>	<u>53,860,411</u>
Deferred outflows of resources			
Deferred outflows related to pension plans	<u>1,393,365</u>	<u>336,128</u>	<u>1,729,493</u>
Total assets and deferred outflows of resources	<u>11,099,541</u>	<u>44,490,363</u>	<u>55,589,904</u>
Liabilities			
Accounts payable	714,572	930,108	1,644,680
Accrued liabilities	45,762	110,567	156,329
Unearned revenue	122,154	-	122,154
Payable from restricted assets			
Accrued interest	-	53,721	53,721
Deposits	-	739,065	739,065
Current portion of notes payable and repayment agreement	130,492	247,742	378,234
Current portion of revenue bonds payable	-	227,000	227,000
Noncurrent liabilities			
Due in more than one year	3,349,574	14,417,469	17,767,043
Advance from other fund	606,854	(606,854)	-
Total liabilities	<u>4,969,408</u>	<u>16,118,818</u>	<u>21,088,226</u>
Deferred inflows of resources			
Deferred inflows related to pension plans	<u>621,140</u>	<u>283,024</u>	<u>904,164</u>
Total liabilities and deferred inflows of resources	<u>5,590,548</u>	<u>16,401,842</u>	<u>21,992,390</u>
Net position			
Invested in capital assets, net of related debt	8,853,213	17,173,649	26,026,862
Restricted for			
Community redevelopment	18,144	-	18,144
Construction and debt retirement	-	3,308,027	3,308,027
Working capital - FMPA	-	425,207	425,207
Unrestricted	(3,362,364)	7,181,638	3,819,274
Total net position	<u>\$ 5,508,993</u>	<u>\$ 28,088,521</u>	<u>\$ 33,597,514</u>

See accompanying notes to financial statements.



CITY OF CLEWISTON, FLORIDA  
Government-wide Statement of Activities  
Year Ended September 30, 2016

Functions / Programs	Expenses	Program Revenues			Net (Expense) / Revenue
		Fines, Fees, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
General government	\$ 1,645,616	\$ 228,244	\$ -	\$ -	\$ (1,417,372)
Public safety					
Police	2,066,727	59,159	2,434	33,457	(1,971,677)
Fire	544,933	319,837	-	-	(225,096)
Protective inspections	209,205	152,284	-	-	(56,921)
Total public safety	2,820,865	531,280	2,434	33,457	(2,253,694)
Physical environment	338,377	315,324	-	-	(23,053)
Transportation					
Streets and lighting	615,559	411,352	-	243,663	39,456
Culture and recreation					
Library	512,808	16,621	236,025	-	(260,162)
Parks and recreation	1,742,364	717,524	138,371	35,607	(850,862)
Total culture and recreation	2,255,172	734,145	374,396	35,607	(1,111,024)
Economic environment					
Housing and urban development	50,420	-	30,000	-	(20,420)
Industry development	22,148	-	-	-	(22,148)
Total economic environment	72,568	-	30,000	-	(42,568)
Human services					
Animal control	130,205	101,195	-	-	(29,010)
Total governmental activities	7,878,362	2,321,540	406,830	312,727	(4,837,265)
Business-type activities					
Electric	10,351,051	11,021,233	-	-	670,182
Water and sewer	3,882,179	3,433,981	-	120,081	(328,117)
Solid waste	1,111,732	1,293,253	-	-	181,521
Total business-type activities	15,344,962	15,748,467	-	120,081	523,586
Total	\$ 23,223,324	\$ 18,070,007	\$ 406,830	\$ 432,808	\$ (4,313,679)

See accompanying notes to financial statements.

CITY OF CLEWISTON, FLORIDA  
Government-wide Statement of Activities (continued)  
September 30, 2016

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
Net (expense) revenue from previous page	\$ (4,837,265)	\$ 523,586	\$ (4,313,679)
General revenues			
Taxes	2,554,716	-	2,554,716
Intergovernmental	599,060	-	599,060
Investment income	19,745	30,265	50,010
Miscellaneous	85,318	28,098	113,416
Transfers - internal	<u>1,438,148</u>	<u>(1,438,148)</u>	<u>-</u>
Total general revenues and transfers	<u>4,696,987</u>	<u>(1,379,785)</u>	<u>3,317,202</u>
Changes in net position	(140,278)	(856,199)	(996,477)
Net position - October 1, 2015	<u>5,649,271</u>	<u>28,944,720</u>	<u>34,593,991</u>
Net position - September 30, 2016	<u>\$ 5,508,993</u>	<u>\$ 28,088,521</u>	<u>\$ 33,597,514</u>

See accompanying notes to financial statements.

CITY OF CLEWISTON, FLORIDA  
Balance Sheet  
Governmental Funds  
September 30, 2016

	General Fund	Clewiston Redevelopment Agency Fund	Other Governmental Fund	Total Governmental Funds
Assets				
Cash	\$ 2,075	\$ -	\$ -	\$ 2,075
Investments	1,655,589	18,624	90,459	1,764,672
Receivables				
Accounts	280,635	-	-	280,635
Special assessments	54,589	-	-	54,589
Inventory	117,356	-	-	117,356
Due from other funds	330,492	-	-	330,492
Due from other governments	464,148	-	-	464,148
Note receivable	345,880	-	-	345,880
Prepaid expense	3,585	-	-	3,585
Total assets	<u>\$ 3,254,349</u>	<u>\$ 18,624</u>	<u>\$ 90,459</u>	<u>\$ 3,363,432</u>
Liabilities and fund balances				
Liabilities				
Accounts payable	\$ 711,368	\$ -	\$ 3,204	\$ 714,572
Accrued liabilities	45,562	-	200	45,762
Due to other funds	2,819,170	480	45,532	2,865,182
Unearned revenue	80,631	-	41,523	122,154
Total liabilities	<u>3,656,731</u>	<u>480</u>	<u>90,459</u>	<u>3,747,670</u>
Fund balances				
Nonspendable	466,821	-	-	466,821
Restricted	-	18,144	-	18,144
Unassigned	(869,203)	-	-	(869,203)
Total fund balances	<u>(402,382)</u>	<u>18,144</u>	<u>-</u>	<u>(384,238)</u>
Total liabilities and fund balances	<u>\$ 3,254,349</u>	<u>\$ 18,624</u>	<u>\$ 90,459</u>	<u>\$ 3,363,432</u>

See accompanying notes to financial statements.

CITY OF CLEWISTON, FLORIDA  
Reconciliation of the Balance Sheet of  
Governmental Funds to the Statement of Net Position  
September 30, 2016

Total fund balances, governmental funds	\$ (384,238)
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	9,203,213
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Certain other assets are not available to pay for current-period expenditures.	4,713
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Deferred outflows/inflows of resources related to pension plans are not reported in the funds.	772,225
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(4,086,920)</u>
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Net position of governmental activities	<u>\$ 5,508,993</u>
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See accompanying notes to financial statements.

CITY OF CLEWISTON, FLORIDA  
Statement of Revenues, Expenditures, and  
Changes in Fund Balances of Governmental Funds  
Year Ended September 30, 2016

	General Fund	Clewiston Redevelopment Agency Fund	Other Governmental Fund	Total Governmental Funds
Revenues				
Taxes	\$ 2,905,311	\$ -	\$ -	\$ 2,905,311
Licenses and permits	143,454	-	-	143,454
Intergovernmental revenue	1,164,298	-	137,329	1,301,627
Charges for services	1,664,938	-	-	1,664,938
Fines and forfeitures	66,949	-	-	66,949
Miscellaneous revenues	<u>214,780</u>	<u>56</u>	<u>204</u>	<u>215,040</u>
Total revenues	<u>6,159,730</u>	<u>56</u>	<u>137,533</u>	<u>6,297,319</u>
Expenditures				
Current				
General government	<u>1,461,468</u>	<u>-</u>	<u>-</u>	<u>1,461,468</u>
Public safety				
Police	2,241,661	-	-	2,241,661
Fire	454,960	-	-	454,960
Protective inspections	<u>204,745</u>	<u>-</u>	<u>-</u>	<u>204,745</u>
Total public safety	<u>2,901,366</u>	<u>-</u>	<u>-</u>	<u>2,901,366</u>
Transportation				
Streets and lighting	<u>793,322</u>	<u>-</u>	<u>-</u>	<u>793,322</u>
Culture and recreation				
Library	343,527	-	137,533	481,060
Parks and recreation	<u>1,843,095</u>	<u>-</u>	<u>-</u>	<u>1,843,095</u>
Total culture and recreation	<u>2,186,622</u>	<u>-</u>	<u>137,533</u>	<u>2,324,155</u>
Physical environment	<u>338,377</u>	<u>-</u>	<u>-</u>	<u>338,377</u>
Economic environment				
Housing and urban development	<u>30,000</u>	<u>20,420</u>	<u>-</u>	<u>50,420</u>
Total economic environment	<u>30,000</u>	<u>20,420</u>	<u>-</u>	<u>50,420</u>
Human services				
Animal control	<u>141,199</u>	<u>-</u>	<u>-</u>	<u>141,199</u>
Debt service				
Principal retirement - industry development	<u>32,494</u>	<u>-</u>	<u>-</u>	<u>32,494</u>
Total debt service	<u>32,494</u>	<u>-</u>	<u>-</u>	<u>32,494</u>
Total expenditures	<u>7,884,848</u>	<u>20,420</u>	<u>137,533</u>	<u>8,042,801</u>

See accompanying notes to financial statements.

CITY OF CLEWISTON, FLORIDA  
Statement of Revenues, Expenditures, and Changes  
in Fund Balances of Governmental Funds (continued)  
Year Ended September 30, 2016

	<u>General Fund</u>	<u>Clewiston Redevelopment Agency Fund</u>	<u>Other Governmental Fund</u>	<u>Total Governmental Funds</u>
Excess of revenues under expenditures	<u>(1,725,118)</u>	<u>(20,364)</u>	<u>-</u>	<u>(1,745,482)</u>
Other financing sources (uses)				
Operating transfers-in	1,438,148	-	-	1,438,148
Loan proceeds	<u>475,000</u>	<u>-</u>	<u>-</u>	<u>475,000</u>
Total other financing sources (uses)	<u>1,913,148</u>	<u>-</u>	<u>-</u>	<u>1,913,148</u>
Net changes in fund balances	188,030	(20,364)	-	167,666
Fund balances - October 1, 2015	<u>(590,412)</u>	<u>38,508</u>	<u>-</u>	<u>(551,904)</u>
Fund balances - September 30, 2016	<u>\$ (402,382)</u>	<u>\$ 18,144</u>	<u>\$ -</u>	<u>\$ (384,238)</u>

See accompanying notes to financial statements.

CITY OF CLEWISTON, FLORIDA  
Reconciliation of the Statement of Revenues,  
Expenditures, and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
Year Ended September 30, 2016

Net change in fund balances - total governmental funds	\$ 167,666
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays in the governmental funds exceeded depreciation in the Statement of Activities in the current period.	366,700
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The net effect of various transactions involving available financial resources	1,123
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position.	(442,506)
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Net change in pension related outflows/inflows of resources and net pension liability	<u>(233,261)</u>
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Changes in net position of governmental activities	<u>\$ (140,278)</u>
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See accompanying notes to financial statements.

CITY OF CLEWISTON, FLORIDA  
Statement of Net Position  
Proprietary Funds  
September 30, 2016

	Business-type Activities - Enterprise Funds			
	Electric Fund	Water/Sewer Fund	Solid Waste Fund	Totals
Assets and deferred outflows of resources				
Current Assets				
Cash	\$ 600	\$ -	\$ -	\$ 600
Investments	322,062	1,280,061	171,648	1,773,771
Receivables, net				
Accounts	1,419,551	596,226	216,791	2,232,568
Assessments	-	906,816	-	906,816
Due from other funds	2,819,170	11,881	362,871	3,193,922
Accrued interest	-	36,546	-	36,546
Inventory, at cost	381,171	121,644	-	502,815
Advance to other fund	-	606,854	-	606,854
Total current assets	<u>4,942,554</u>	<u>3,560,028</u>	<u>751,310</u>	<u>9,253,892</u>
Restricted assets				
Investments	952,612	3,148,381	-	4,100,993
Accounts receivable - FMFA	<u>425,207</u>	<u>-</u>	<u>-</u>	<u>425,207</u>
Total restricted assets	<u>1,377,819</u>	<u>3,148,381</u>	<u>-</u>	<u>4,526,200</u>
Capital assets				
Land	27,667	642,475	-	670,142
Depreciable capital assets, net	5,571,564	23,881,452	399,655	29,852,671
Construction in progress	<u>-</u>	<u>1,117,416</u>	<u>-</u>	<u>1,117,416</u>
Total capital assets, net	<u>5,599,231</u>	<u>25,641,343</u>	<u>399,655</u>	<u>31,640,229</u>
Total assets	<u>11,919,604</u>	<u>32,349,752</u>	<u>1,150,965</u>	<u>45,420,321</u>
Deferred outflows of resources				
Deferred outflows related to pension plans	<u>205,412</u>	<u>84,032</u>	<u>46,684</u>	<u>336,128</u>
Total assets and deferred outflows of resources (carried forward)	<u>12,125,016</u>	<u>32,433,784</u>	<u>1,197,649</u>	<u>45,756,449</u>

See accompanying notes to financial statements.



CITY OF CLEWISTON, FLORIDA  
Statement of Net Position (continued)  
Proprietary Funds  
September 30, 2016

	Business-type Activities - Enterprise Funds			
	Electric Fund	Water/Sewer Fund	Solid Waste Fund	Totals
Total assets and deferred outflows of resources (brought forward)	<u>12,125,016</u>	<u>32,433,784</u>	<u>1,197,649</u>	<u>45,756,449</u>
Liabilities and deferred inflows of resources				
Liabilities				
Current liabilities				
Accounts payable	755,458	135,170	39,480	930,108
Accrued liabilities	78,202	21,366	10,999	110,567
Due to other funds	<u>45,253</u>	<u>590,600</u>	<u>23,379</u>	<u>659,232</u>
Total current liabilities	<u>878,913</u>	<u>747,136</u>	<u>73,858</u>	<u>1,699,907</u>
Current liabilities payable from restricted assets				
Accrued interest	5,767	47,954	-	53,721
Deposits	739,065	-	-	739,065
Current portion of notes payable	157,111	90,631	-	247,742
Current portion of revenue bonds payable	<u>-</u>	<u>227,000</u>	<u>-</u>	<u>227,000</u>
Total current liabilities payable from restricted assets	<u>901,943</u>	<u>365,585</u>	<u>-</u>	<u>1,267,528</u>
Noncurrent liabilities	<u>575,932</u>	<u>13,782,114</u>	<u>59,423</u>	<u>14,417,469</u>
Total liabilities	<u>2,356,788</u>	<u>14,894,835</u>	<u>133,281</u>	<u>17,384,904</u>
Deferred inflows of resources				
Deferred inflows related to pension plans	<u>172,959</u>	<u>70,756</u>	<u>39,309</u>	<u>283,024</u>
Total liabilities and deferred inflows of resources	<u>2,529,747</u>	<u>14,965,591</u>	<u>172,590</u>	<u>17,667,928</u>
Net position				
Invested in capital assets, net of related debt	5,128,016	11,645,978	399,655	17,173,649
Restricted for construction and retirement of debt	207,780	3,100,247	-	3,308,027
Restricted for working capital - FMPA	425,207	-	-	425,207
Unrestricted	<u>3,834,266</u>	<u>2,721,968</u>	<u>625,404</u>	<u>7,181,638</u>
Total net position	<u>\$ 9,595,269</u>	<u>\$ 17,468,193</u>	<u>\$ 1,025,059</u>	<u>\$ 28,088,521</u>

See accompanying notes to financial statements.

CITY OF CLEWISTON, FLORIDA  
Statement of Revenues, Expenses  
and Changes in Net Position  
Proprietary Funds  
Year Ended September 30, 2016

	Business-type Activities - Enterprise Funds			
	Electric Fund	Water/Sewer Fund	Solid Waste Fund	Totals
Operating revenues				
Charges for services	\$ 11,021,233	\$ 3,433,981	\$ 1,293,253	\$ 15,748,467
Operating expenses				
Electricity purchased	8,061,281	-	-	8,061,281
Personal services	1,018,507	660,942	307,728	1,987,177
Contractual services	195,887	987,548	452,793	1,636,228
Supplies	122,811	111,727	64,121	298,659
Utilities	48,788	436,370	-	485,158
Insurance	43,164	30,996	73,560	147,720
Repairs and maintenance	292,301	293,927	105,827	692,055
Depreciation	425,380	791,969	105,977	1,323,326
Miscellaneous	57,816	2,579	779	61,174
Bad debts	46,602	-	947	47,549
Total operating expenses	10,312,537	3,316,058	1,111,732	14,740,327
Operating income	708,696	117,923	181,521	1,008,140
Nonoperating revenues (expenses)				
Interest	2,428	27,138	699	30,265
Miscellaneous	20,508	7,590	-	28,098
Interest and fiscal charges	(38,514)	(566,121)	-	(604,635)
Total nonoperating revenues (expenses)	(15,578)	(531,393)	699	(546,272)
Income (loss) before contributions and transfers	693,118	(413,470)	182,220	461,868
Capital contributions	-	120,081	-	120,081
Operating transfers-out	(970,751)	(347,016)	(120,381)	(1,438,148)
Changes in net position	(277,633)	(640,405)	61,839	(856,199)
Net position - October 1, 2015	9,872,902	18,108,598	963,220	28,944,720
Net position - September 30, 2016	\$ 9,595,269	\$ 17,468,193	\$ 1,025,059	\$ 28,088,521

See accompanying notes to financial statements.

CITY OF CLEWISTON, FLORIDA  
Statement of Cash Flows  
Proprietary Funds  
Year Ended September 30, 2016

	Business-type Activities - Enterprise Funds			
	Electric Fund	Water/Sewer Fund	Solid Waste Fund	Totals
Cash flows from operating activities:				
Cash received from customers	\$ 10,940,611	\$ 3,469,766	\$ 1,277,471	\$ 15,687,848
Cash payments for goods and services	(8,762,573)	(1,852,961)	(694,089)	(11,309,623)
Cash payments to employees for services and related payroll costs	<u>(952,380)</u>	<u>(633,795)</u>	<u>(291,877)</u>	<u>(1,878,052)</u>
Net cash provided by operating activities	<u>1,225,658</u>	<u>983,010</u>	<u>291,505</u>	<u>2,500,173</u>
Cash flows from noncapital financing activities:				
Miscellaneous receipts	20,508	7,590	-	28,098
Deposits received from customers less deposits returned to customers	32,727	-	-	32,727
Loans and payments from other funds	27,210	164,765	(134,653)	57,322
Loans and payments to other funds	32,705	(139,462)	23,379	(83,378)
Loan to General Fund	-	(125,000)	-	(125,000)
Cash operating transfers-out to other funds	(970,751)	(347,016)	(120,381)	(1,438,148)
Interest paid on customer deposits	<u>(17,307)</u>	<u>-</u>	<u>-</u>	<u>(17,307)</u>
Net cash provided by (used for) noncapital financing activities	<u>(874,908)</u>	<u>(439,123)</u>	<u>(231,655)</u>	<u>(1,545,686)</u>
Cash flows from capital and related financing activities:				
Sewer assessments received	-	69,363	-	69,363
Capital contributed by customers, developers, and CRA	-	120,081	-	120,081
Acquisition and construction of capital assets	(30,161)	(7,720)	-	(37,881)
Principal paid on notes payable - State RF and bank	(157,230)	(89,923)	-	(247,153)
Interest paid on notes payable - State RF and bank	(21,796)	(20,804)	-	(42,600)
Principal paid on revenue bonds payable	-	(218,000)	-	(218,000)
Interest paid on revenue bonds payable	<u>-</u>	<u>(546,356)</u>	<u>-</u>	<u>(546,356)</u>
Net cash used for capital and related financing activities	<u>(209,187)</u>	<u>(693,359)</u>	<u>-</u>	<u>(902,546)</u>

See accompanying notes to financial statements.

CITY OF CLEWISTON, FLORIDA  
Statement of Cash Flows (continued)  
Proprietary Funds  
Year Ended September 30, 2016

	Business-type Activities - Enterprise Funds			
	Electric Fund	Water/Sewer Fund	Solid Waste Fund	Totals
Cash flows from investing activities:				
Interest received on investments	<u>2,428</u>	<u>25,368</u>	<u>699</u>	<u>28,495</u>
Net cash provided by investing activities	<u>2,428</u>	<u>25,368</u>	<u>699</u>	<u>28,495</u>
Net increase (decrease) in cash and cash equivalents	143,991	(124,104)	60,549	80,436
Cash and cash equivalents at beginning of year	<u>1,131,283</u>	<u>4,552,546</u>	<u>111,099</u>	<u>5,794,928</u>
Cash and cash equivalents at end of year	<u>\$ 1,275,274</u>	<u>\$ 4,428,442</u>	<u>\$ 171,648</u>	<u>\$ 5,875,364</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	<u>\$ 708,696</u>	<u>\$ 117,923</u>	<u>\$ 181,521</u>	<u>\$ 1,008,140</u>
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	425,380	791,969	105,977	1,323,326
Provision for uncollectible accounts	46,602	-	947	47,549
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(80,622)	35,785	(15,782)	(60,619)
Decrease in inventory	8,103	11,823	-	19,926
Increase (decrease) in accounts payable	51,372	(1,637)	2,991	52,726
Increase in accrued liabilities	2,863	4,179	1,556	8,598
Increase in pension related liability and outflows/inflows of resources	<u>63,264</u>	<u>22,968</u>	<u>14,295</u>	<u>100,527</u>
Total adjustments	<u>516,962</u>	<u>865,087</u>	<u>109,984</u>	<u>1,492,033</u>
Net cash provided by operating activities (see previous page)	<u>\$ 1,225,658</u>	<u>\$ 983,010</u>	<u>\$ 291,505</u>	<u>\$ 2,500,173</u>
Reconciliation of cash and cash equivalents to Statement of Net Position				
Cash and cash equivalents - unrestricted	<u>\$ 322,662</u>	<u>\$ 1,280,061</u>	<u>\$ 171,648</u>	<u>\$ 1,774,371</u>
Cash and cash equivalents - restricted	<u>952,612</u>	<u>3,148,381</u>	<u>-</u>	<u>4,100,993</u>
Total cash and cash equivalents	<u>\$ 1,275,274</u>	<u>\$ 4,428,442</u>	<u>\$ 171,648</u>	<u>\$ 5,875,364</u>

See accompanying notes to financial statements.

CITY OF CLEWISTON, FLORIDA  
Statement of Fiduciary Net Position  
Fiduciary Fund  
September 30, 2016

	<u>Pension Trust Fund</u>
Assets	
Investments	\$ 10,841,227
Receivables, net	<u>100,516</u>
Total assets	<u>10,941,743</u>
Net position	
Held in trust for pension benefits	<u>10,941,743</u>
Total net position	<u>\$ 10,941,743</u>

See accompanying notes to financial statements.

CITY OF CLEWISTON, FLORIDA  
Statement of Changes in Fiduciary Net Position  
Fiduciary Fund  
Year Ended September 30, 2016

	<u>Pension Trust Fund</u>
Additions	
Contributions - employer	\$ 122,907
Net investment earnings	<u>1,105,728</u>
Total additions	<u>1,228,635</u>
Deductions	
Pension benefits	467,103
Administrative costs	<u>17,020</u>
Total deductions	<u>484,123</u>
Increase in net position	744,512
Net position - October 1, 2015	<u>10,197,231</u>
Net position - September 30, 2016	<u>\$ 10,941,743</u>

See accompanying notes to financial statements.

CITY OF CLEWISTON, FLORIDA  
Notes to Financial Statements  
September 30, 2016

The accounting methods and procedures adopted by the City of Clewiston, Florida, conform to generally accepted accounting principles as applied to governmental entities. The following notes to the financial statements are an integral part of the City of Clewiston's financial statements.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Financial Reporting Entity**

The City of Clewiston (the City) is a municipal corporation incorporated by Laws of Florida, 1923, Chapter 9712, which was amended by Laws of Florida, 1925, Chapter 10434. Both of said acts were repealed by Laws of Florida 1925, Chapter 10433, Article IX, Paragraph 11. Said 1925, Chapter 10433, as amended, constitutes the present Charter of the City. The City is governed by an elected five-member board of city commissioners. The Board appoints a City Manager to administer the policies emanating from its statutory powers and authority. The City's major operations include police and fire protection, parks and recreation, library, public works, general administrative services, and community redevelopment. In addition, the City owns and operates electric, water, sewer, and solid waste collection systems.

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Government Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has chosen not to do so. The more significant accounting policies established in GAAP and used by the City are discussed below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. Significant changes in the Statement affecting the financial statements include the following:

A Management Discussion and Analysis (MD&A) section providing an analysis of the City's overall financial position and results of operations.

Financial statements prepared using full accrual accounting for all of the City's governmental and business-type activities, including infrastructure (roads, bridges, etc.).

A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The City elected to implement all of the provisions of the Statement during the fiscal year ended September 30, 2003.

CITY OF CLEWISTON, FLORIDA  
Notes to Financial Statements  
September 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Reporting Entity (continued)

Government Accounting Standards Board (GASB) No. 14 entitled "The Financial Reporting Entity", as amended by GASB No. 39 and GASB No. 61, establishes criteria for determining which organizations should be included in a governmental financial reporting entity. Based upon application of these criteria, the City has determined that there are no additional governmental departments, agencies, institutions, commissions, public authorities or other governmental organizations operating within the jurisdiction of the City Commission that would be considered component units to be included in the financial statements of the City.

As required by governmental accounting principles generally accepted in the United States of America, the accompanying financial statements present the City and its component unit (entity for which the City is considered to be financially accountable). Blended component units, while legally separate units, are in substance part of the government's operations. Therefore, financial data from this unit is presented with financial data of the City (the primary government). The City had no discretely presented component units. The City has one blended component unit as described below.

Blended Component Unit

The Clewiston Redevelopment Agency (CRA) was established by the City under Ordinance No. 2005-1 pursuant to the "Community Development Act of 1969" and Chapter 163, Part III of the Florida Statutes. The five City Commissioners are the board members of the CRA. The CRA commenced operations during the fiscal year ended September 30, 2008. The financial statements of the CRA are presented as a major governmental fund.

Basic Financial Statements - Government-wide Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's police and fire protection, parks and recreation, streets and street lighting, general administrative services, and community redevelopment are classified as governmental activities. The City's electric, water, sewer and solid waste collection services are classified as business-type activities.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net position is reported in three parts - invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The City first utilizes restricted resources to finance qualifying activities.



CITY OF CLEWISTON, FLORIDA  
Notes to Financial Statements  
September 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basic Financial Statements - Government-wide Statements

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions and business-type activities. The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (property, sales or gas taxes, intergovernmental revenues, interest income, etc.).

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activities.

Basic Financial Statements - Fund Financial Statements

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the City:

Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City:

General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds are used to account for the proceeds of a specific revenue source which is legally restricted to expenditures for a specific purpose. The Clewiston Redevelopment Agency Fund is a special revenue fund used to account for and report financial resources that are related to the Clewiston Redevelopment Agency. The State Library Grant Fund is shown separately in the column "Other Governmental Fund" in the governmental funds financial statements.

CITY OF CLEWISTON, FLORIDA  
Notes to Financial Statements  
September 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basic Financial Statements - Fund Financial Statements (continued)

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Non-major funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise funds combined) for the determination of major funds. The City electively added funds, as major funds, which either had debt outstanding or specific community focus.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. It is used to account for and report all financial resources not accounted for and reported in another fund.

The Clewiston Redevelopment Agency Fund is a special revenue fund used to account for and report financial resources that are related to the Clewiston Redevelopment Agency.

Proprietary Funds

The focus of the proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flow. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the City:

Enterprise Funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

The enterprise funds of the City are the Electric Fund, the Water and Sewer Fund, and the Solid Waste Fund.

Fiduciary Funds

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support City programs. The reporting focus is on net position and changes in net position and is reported using accounting principles similar to proprietary funds.

The City's fiduciary funds are presented in the fiduciary fund financial statements by type (pension, private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

The fiduciary fund of the City is the Pension Trust Fund.

CITY OF CLEWISTON, FLORIDA  
Notes to Financial Statements  
September 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual

Both governmental and business-type activities in the governmental-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after the year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Deposits and Investments

For purposes of the statement of cash flows, the City considers all highly liquid investments with an initial maturity of three months or less when acquired to be cash equivalents.

The City maintains an investment pool that is available for use by all funds. The investment pool consists of interest-bearing bank accounts and investments in the Florida State Board of Administration (SBA) Florida PRIME, which is an investment pool. Cash balances and requirements of all funds are considered in determining the amount to be invested. Interest earned on pooled investments is allocated monthly to funds based on their average monthly balances.

The City does not have an adopted investment policy since it follows Florida Statute 218.45 for investment decisions. Florida Statutes authorize investments that include money market accounts, savings accounts and certificates of deposit at banks certified as qualified public depositories by the State of Florida, repurchase agreements, Florida PRIME, obligations of the U.S. Government, governmental agencies guaranteed by the U.S. Government, and certain bond mutual funds. In addition, the pension trust fund is allowed to invest in equity securities, corporate bonds, and mutual funds.

CITY OF CLEWISTON, FLORIDA  
Notes to Financial Statements  
September 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deposits and Investments (continued)

The City follows state statutes for allowable investments. However, state statutes do not specifically address the risks disclosed in GASB No. 40. No policy exists for the following risks: credit risk, custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk.

For all funds, except the pension trust fund which is required to be invested separately, investments consist of noninterest-bearing and interest-bearing bank accounts at financial institutions that qualify as public depositories and Florida PRIME. These funds are insured by the Federal Deposit Insurance Corporation or by collateral pursuant to the Florida Securities for Public Deposits Act (Florida Statutes 280).

Florida PRIME meets the requirements of and is classified as a "2a-7 like" pool. The SBA is not a registrant with, nor regulated by, the Securities and Exchange Commission or any other regulatory agency; however, Florida PRIME has adopted operating procedures consistent with the requirement for a "2a-7 like" pool and the fair value of the position in the pool is equal to the value of the pool's shares. Such investments are stated at amortized cost in the accompanying financial statements. Florida PRIME is rated by Standard and Poors and is currently rated AAAM. The dollar weighted average maturity (WAM) of Florida PRIME at September 30, 2016, is 50 days. Next interest rate reset dates for floating rate securities are used in the calculation of the WAM. The weighted average life (WAL) of Florida PRIME at September 30, 2016, is 70 days.

Investments of the pension trust fund consist of mutual funds and corporate stock. All investments, except Florida PRIME and as noted below, are reported at fair market value using quoted market prices. Money market investments with a remaining maturity at the time of purchase of one year or less are reported at amortized cost. The difference between cost and fair value of investments held is recorded as net unrealized gains or losses and is included in net investment earnings. Purchases and sales of investments are recorded on the trade dates. Net realized gains and losses on sale of investments are reflected in current operating results as investment earnings along with interest and dividends.

Receivables

All receivables are reported at their gross value and where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Estimated unbilled revenues of the Electric Fund, Water and Sewer Fund, Solid Waste Fund, and the General Fund's mosquito control services are recognized at the end of each fiscal year on a pro rata basis. The estimated amount is based on billings during the month following the close of the fiscal year.

Inventories

Inventories in the governmental and business-type activities consist of expendable supplies held for the City's use and are carried at cost using the first-in, first-out method.

CITY OF CLEWISTON, FLORIDA  
Notes to Financial Statements  
September 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental fund type inventories are recorded as expenditures when consumed (consumption method). Governmental fund type inventories are also recorded as assets and are offset by a reserve of fund balance indicating that such amounts do not represent "available spendable resources", even though they are a component of net current assets.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are accounted for using the consumption method.

Capital Assets

Capital assets purchased or acquired are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following useful lives:

	<u>Years</u>
Buildings	40
Electric, water and sewer systems	30 - 50
Machinery and equipment	5 - 10
Improvements	10 - 20
Other infrastructure	10 - 40

GASB Statement No. 34 requires the City to report and depreciate new infrastructure assets effective with the beginning of the fiscal year ended September 30, 2003. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic lights, etc. These infrastructure assets are the largest asset class of the City. Neither historical cost nor related depreciation of capital assets has historically (prior to 2003) been reported in the financial statements. The retroactive reporting of infrastructure is subject to an extended implementation period and is first effective for fiscal years ending in 2008. The City elected to implement all of the provisions of GASB Statement No. 34 in the fiscal year ended September 30, 2003.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section of deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense/expenditures) until then. The significant components of the deferred outflows of resources shown in the statement of net position for the year ended September 30, 2016, are as follows.

Florida Retirement System Pension Plan	\$ 742,219
Florida Retirement System Retiree Health Insurance Subsidy Program	53,584
Frozen Defined Benefit Retirement Plan	<u>933,690</u>
Total deferred outflows of resources related to pension plans	<u>\$ 1,729,493</u>

CITY OF CLEWISTON, FLORIDA  
Notes to Financial Statements  
September 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Outflows/Inflows of Resources (continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The significant components of the deferred inflows of resources shown in the statement of net position for the year ended September 30, 2016, are as follows.

Florida Retirement System Pension Plan	\$ 97,386
Florida Retirement System Retiree Health Insurance Subsidy Program	20,599
Frozen Defined Benefit Retirement Plan	<u>786,179</u>
Total deferred inflows of resources related to pension plans	<u>\$ 904,164</u>

See Notes 13, 14, and 15 (pages 56-71) for additional information concerning the breakdown of deferred outflows/inflows of resources for the year ended September 30, 2016.

Net Position and Fund Balances

In the government-wide financial statements, the difference between the City's total assets, total liabilities, and deferred outflows/inflows of resources represents net position. Net position displays three components - invested in capital assets, net of related debt; restricted (distinguished between major categories of restrictions); and unrestricted. Unrestricted net position represents the net position available for future operations. Proprietary fund net position is classified the same as in the government-wide statements.

Governmental fund balances are classified as nonspendable, restricted, committed, assigned, or unassigned. Nonspendable fund balance cannot be spent because of its form. Restricted fund balance has limitations imposed by creditors, grantors, or contributors or by enabling legislation or constitutional provisions. Committed fund balance is a limitation imposed by the City Commission through approval of resolutions. Committed fund balance can be assigned for other uses only by similar action of the City Commission. Assigned fund balance is a limitation imposed by a designee of the City Commission. Unassigned fund balance in the General Fund is the net resources in excess of what can be properly classified in one of the above four categories.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it is the policy of the City to generally consider restricted amounts to have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the policy of the City that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts. In both instances, when a proposed expenditure is made with specific balances identified as the source of the funding, that specific fund balance will be used.

CITY OF CLEWISTON, FLORIDA  
Notes to Financial Statements  
September 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues

Substantially all governmental fund revenues are accrued. Property taxes are billed and collected within the same period in which the taxes are levied. Subsidies and grants to proprietary funds, which finance either capital or current operations, are reported as non-operating revenue based on GASB Statement No. 33. In applying GASB Statement No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and unearned revenue by the recipient.

Expenditures

Expenditures are recognized when the related fund liability is incurred. Inventory costs are reported for governmental and business-type activities in the period the inventory items are used, rather than in the period purchased. Governmental fund type inventories are recorded as expenditures when consumed.

Compensated Absences

The City accrues accumulated unpaid vacation leave and associated employee-related costs when earned (or estimated to be earned) by the employee. The noncurrent portion (the amount estimated to be used by employees in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

Interfund Activity

Interfund activity is reported as loans, services provided, reimbursements, or transfers. Loans are reported as internal balances (government-wide statements) or as interfund receivables and payables (fund financial statements), as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental activities and business-type activities are netted as transfers - internal in the government-wide financial statements.

Effective October 1, 2011, the City established a new enterprise fund, the Solid Waste Fund, by transferring assets and liabilities from the City's governmental activities (General Fund).

Proprietary Fund

The only nonoperating revenue for the Proprietary Fund was investment earnings and other miscellaneous revenues. All other revenues were considered operating revenues.

CITY OF CLEWISTON, FLORIDA  
Notes to Financial Statements  
September 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capitalization Policy

The capitalization policy of the City is to capitalize all assets with a cost of \$1,000 or more with an expected life of one year or more.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. Actual results could differ from those estimates.

Implementation of Governmental Accounting Standards Board Statements with Impact on the Financial Statements

The City implemented the following Governmental Accounting Standards Board (GASB) Statements during the fiscal year ended September 30, 2015.

In June 2012, the GASB issued Statement No. 68 (GASB 68), *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement 27*. GASB 68 improves financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. The implementation of this statement resulted in a restatement of beginning net position, as of September 30, 2014, as well as related deferred outflows of resources and deferred inflows of resources due to recording the City's net pension liability on the statement of net position.

In November 2013, the GASB issued Statement No. 71, *Pension Transition Contributions Made Subsequent to the Measurement Date - an amendment to GASB Statement No. 68*. This Statement amends paragraph 137 of GASB 68 to require that, at transition, a government recognize the beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability.

New Accounting Pronouncements

GASB Statement No. 79 (GASB 79), *Certain External Investment Pools and Pool Participants*, was issued to address how certain investment pool transactions are reported in response to anticipated changes in a U.S. Securities and Exchange Commission (SEC) rule that was previously included in GASB literature by reference. This Statement allows qualifying external investment pools to measure all investments at amortized cost if the pool meets certain criteria, and establishes certain additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. The adoption of GASB 79 resulted in additional disclosures in the City's financial statements related to the City's investments in Florida PRIME.



CITY OF CLEWISTON, FLORIDA  
Notes to Financial Statements  
September 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgets and Budgetary Accounting

The City follows these procedures in establishing the legally adopted budgetary data of the General, Special Revenue, and Clewiston Redevelopment Agency Funds as reflected in the financial statements:

1. During the summer of each year, the Finance Director submits to the City Commission a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them. Budgetary control is established at the fund level.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of an ordinance required by City Charter and a Resolution required by the State of Florida.
4. The transfer of budgeted amounts within departments may be requested by department heads and may be made upon approval by the Finance Director and City Manager. The transfer of budgeted amounts between departments requires approval of the City Manager. Budgetary transfers between funds or changes in the total budget of a fund require approval of the City Commission through the passage of a resolution which is required to be posted on the City's website.
5. Budgets for the General, Special Revenue, and Clewiston Redevelopment Agency Funds are adopted on a basis that is substantially consistent with generally accepted accounting principles (GAAP). Budgetary comparisons for all other funds have not been presented in this report.
6. The amended budget amounts as shown in these financial statements are as amended by the required approval process explained above.

Date of Management's Review

Management has evaluated subsequent events through June 21, 2017, the date on which the financial statements were available to be issued.

NOTE 2 - CASH, DEPOSITS, AND INVESTMENTS

Cash

At year end, the City's cash consisted of petty cash totaling \$2,675 for all funds.

Deposits

At September 30, 2016, the carrying amount of the City's interest-bearing checking accounts was \$5,739,870 and the banks' balances were \$6,100,095. The difference was due to checks that had been written but not yet paid by the banks and deposits in transit.

CITY OF CLEWISTON, FLORIDA  
Notes to Financial Statements  
September 30, 2016

NOTE 2 - CASH, DEPOSITS, AND INVESTMENTS (continued)

Deposits (continued)

These deposits are insured by the Federal Deposit Insurance Corporation or by collateral pursuant to the Florida Security for Public Deposits Act (Florida Statutes Chapter 280). Under this Act, financial institutions that qualify as public depositories pledge securities that have a market value equal to 50% - 125% of the average daily balance for each month of all public deposits in excess of applicable deposit insurance. The Public Depository Security Trust Fund has a procedure to allocate and recover losses in the event of default or insolvency. When public deposits are made in accordance with Chapter 280, no public depositor shall be liable for any loss thereof.

Investments

Florida Statutes authorize investments that include money market accounts, savings accounts repurchase agreements, the Florida State Board of Administration (SBA) Florida PRIME, obligations of the U.S. Government, governmental agencies guaranteed by the U.S. Government, and certain bond mutual funds.

During the year, investments consisted of interest-bearing bank accounts, Florida PRIME, and an investment in a single employer defined benefit pension plan. At September 30, 2016, the City had the following investments:

Interest-bearing bank accounts	\$ 5,739,870
Florida PRIME	1,899,566
Investment in single employer defined benefit pension plan	<u>10,841,227</u>
	<u>\$18,480,663</u>

The City's use of short-term interest-bearing bank accounts in financial institutions that are covered by federal depository insurance or collateral pledged under Florida Statutes Chapter 280, makes credit risk, custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk nominal or nonexistent in regards to these accounts.

Investments - Florida PRIME

The City invested surplus funds in an external investment pool, Florida PRIME. Florida PRIME is governed Chapters 215 and 218, Florida Statutes, and SBA Rules, Chapter 19-7, Florida Administrative Code. The purpose of Chapter 218, Part IV, Florida Statutes, is to promote, through State assistance, the maximization of net interest earnings on invested surplus funds of units of local government, based on the principles of investor protection, mandated transparency, and proper governance, with the goal of reducing the need for imposing additional taxes. The primary investment objectives, in priority order, are safety, liquidity, and competitive returns with minimization of risks.

The Board of Trustees of the SBA (Trustees) consists of the Governor, as Chairman, the Chief Financial Officer, as Treasurer, and the Attorney General, as Secretary. The Trustees will annually certify that Florida PRIME complies with the requirements of Chapter 218, Florida Statutes, and that the management of Florida PRIME is in accord with best investment practices.

The Trustees delegate the administrative and investment authority to manage Florida PRIME to the Executive Director of the SBA, subject to applicable Florida law. The Trustees appoint an Investment

CITY OF CLEWISTON, FLORIDA  
Notes to Financial Statements  
September 30, 2016

NOTE 2 - CASH, DEPOSITS, AND INVESTMENTS (continued)

Investments - Florida PRIME (continued)

Advisory Council and a Participant Local Government Advisory Council. Both Councils will, at least annually, review this policy and any proposed changes prior to its presentation to the Trustees and will undertake other duties set forth in applicable Florida law.

As a Florida PRIME participant, the City invests in pools of investments whereby the City owns a share of the respective pool, not the underlying securities. In March 1997, GASB issued Statement 31 titled "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." GASB 31 defines an external investment pool as an arrangement that commingles (pools) the monies of more than one legally separate entity and invests, on the participants' behalf, in an investment portfolio; one or more of the participants is not part of the sponsor's reporting entity. GASB 31 applies to Florida PRIME.

GASB 31 outlines the two options for accounting and reporting for money market investment pools as either "2a-7 like" or fluctuating net asset value (NAV). GASB 31 describes a "2a-7 like" pool as an "external investment pool that is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with Rule 2a-7 under the Investment Company Act of 1940 (the 1940 Act)".

In June 2010, GASB issued Statement 59, titled "Financial Instruments Omnibus." GASB 59 clarifies the definition of a "2a-7 like" pool as an "external investment pool that operates in conformity with the Securities and Exchange Commission's (SEC) Rule 2a-7 as promulgated under the Investment Company Act of 1940, as amended". To qualify as a 2a-7 like pool, the pool should satisfy all SEC requirements of Rule 2a-7, including that a group of individuals fulfills the functions of a board of directors. The pool is not required to register with the SEC.

In December 2015, GASB issued Statement 79 titled "Certain External Investment Pools and Pool Participants" in response to the SEC's amendments in 2014 to regulations that apply to money market funds. GASB 79 addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. If the external investment pool meets the criteria of GASB 79 and measures all of its investments at amortized cost, the pool's participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from Florida PRIME. Although in the occurrence of an event that has a material impact on liquidity or operations of the trust fund, the fund's executive director may limit contributions to or withdrawals from the trust fund for a period of 48 hours.

Investment Policies

GASB 40 requires the description of investment policies that are related to certain risks. It is our interpretation of GASB 40 that participants in an investment pool should disclose information related to credit risk and interest rate risk. Therefore, the City is disclosing the investment policies that relate to credit risk and interest rate risk. All Florida PRIME's investment policies can be found at [www.sbafla.com/prime](http://www.sbafla.com/prime).

CITY OF CLEWISTON, FLORIDA  
Notes to Financial Statements  
September 30, 2016

NOTE 2 - CASH, DEPOSITS, AND INVESTMENTS (continued)

Investments - Florida PRIME (continued)

Credit Risk

Florida PRIME is rated by Standard and Poor's Rating Services. The current rate is AAAM.

Interest Rate Risk

The dollar weighted average maturity (WAM) of Florida PRIME at September 30, 2016, is 50 days. Next interest rate reset dates for floating rate securities are used in the calculation of the WAM. The weighted average life (WAL) of Florida PRIME at September 30, 2016, is 70 days.

Foreign Currency Risk

Florida PRIME was not exposed to any foreign currency risk during the period from October 1, 2015, through September 30, 2016.

Investments - Single Employer Defined Benefit Plan

The City sponsors a single employer defined benefit pension plan. Securian Retirement Services had responsibility for all administrative, actuarial, and investment management responsibilities of the City's defined benefit pension plan as of September 30, 2016. At September 30, 2016, the City's pension plan had the following investments:

Large Cap U.S. Equity Mutual Funds	\$ 4,141,317
Small/Mid Cap U.S. Equity Mutual Funds	1,253,939
International Equity Mutual Funds	1,099,096
Fixed Income Mutual Funds	<u>4,346,875</u>
	<u>\$10,841,227</u>

The concentration of credit risk and foreign currency risk are addressed by having a diversified group of pooled funds with only 10.14% invested in international equity mutual funds.

More information regarding the defined benefit retirement plan can be found in Note 14 starting on page 65.

NOTE 3 - PROPERTY TAXES

The City is, in general, permitted by the State to levy property taxes up to \$10 per \$1,000 of assessed valuation for general governmental services. There are some limitations as to the amount of the annual increase in tax levy; however, these limitations can be overridden by a majority vote of the City Commission. The tax levy rate for general government services for the year ended September 30, 2016, was \$6.0314 per \$1,000 and was adopted by resolution on September 28, 2015.

CITY OF CLEWISTON, FLORIDA

Notes to Financial Statements

September 30, 2016

NOTE 3 - PROPERTY TAXES (continued)

Ad valorem taxes are levied on property values as of January 1 with the millage established during September. The taxes are due and payable on November 1 of each year. Liens are placed on property as of January 1. All unpaid taxes become delinquent on April 1 following the year in which they are levied. Discounts are allowed for early payment based on a graduated scale until taxes paid in March are without any discount. On or prior to June 1 following the tax year, tax certificates are sold for all delinquent taxes.

The City accrues property tax revenue in the fund statements only to the extent that the revenue is measurable and available since the collection of these taxes coincides with the fiscal year in which levied, and the City consistently has no material uncollected property taxes at year end. The billing and collection of all property taxes is done for the City by Hendry County.

NOTE 4 - INTERNAL BALANCES AND TRANSFERS - INTERNAL

Internal balances (receivables and payables) between the governmental activities and business-type activities as of September 30, 2016, were as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental Activities		
General Fund	\$ 330,492	\$ 2,819,170
Clewiston Redevelopment Agency Fund	-	480
State Library Grant Fund	-	45,532
Business-type Activities		
Electric Fund	2,819,170	45,253
Water and Sewer Fund	11,881	590,600
Solid Waste Fund	<u>362,871</u>	<u>23,379</u>
Total	<u>\$ 3,524,414</u>	<u>\$ 3,524,414</u>

Interfund receivables and payables within the fiduciary funds were reclassified as receivables and payables to external parties in the Government-wide Statement of Net Position and on the individual fund balance sheets.

Operating transfers between the governmental activities and the business-type activities on the accrual basis for the fiscal year ended September 30, 2016, were as follows:

	<u>Transfers-in</u>	<u>Transfers-out</u>
Governmental activities		
General Fund	\$ 1,438,148	\$ -
Business-type activities		
Electric Fund	-	970,751
Water and Sewer Fund	-	347,016
Solid Waste Fund	<u>-</u>	<u>120,381</u>
Total	<u>\$ 1,438,148</u>	<u>\$ 1,438,148</u>

CITY OF CLEWISTON, FLORIDA  
Notes to Financial Statements  
September 30, 2016

**NOTE 5 - ACCOUNTS RECEIVABLE - GOVERNMENTAL ACTIVITIES AND BUSINESS - TYPE ACTIVITIES**

Accounts receivable of the governmental activities and business-type activities, other than the accounts receivable from FMPA shown under restricted assets, consisted of the following as of September 30, 2016:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Billed	\$ 241,569	\$ 1,384,352
Unbilled	<u>49,998</u>	<u>990,745</u>
Total	291,567	2,375,097
Less allowance for doubtful accounts	<u>10,932</u>	<u>142,529</u>
	<u><u>\$ 280,635</u></u>	<u><u>\$ 2,232,568</u></u>

**NOTE 6 - RESTRICTED INVESTMENTS AND ACCOUNTS RECEIVABLE - FMPA - BUSINESS TYPE ACTIVITIES**

Restricted assets in the business-type activities were comprised of the following as of September 30, 2016:

	<u>Electric Fund</u>	<u>Water/Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Total</u>
Funds reserved for new construction and debt retirement	\$ 209,547	\$ 3,148,381	\$ -	\$ 3,357,928
Customer deposits and accrued interest on deposits	743,065	-	-	743,065
Funds reserved for FMPA working capital	<u>425,207</u>	<u>-</u>	<u>-</u>	<u>425,207</u>
	<u><u>\$ 1,377,819</u></u>	<u><u>\$ 3,148,381</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,526,200</u></u>

**NOTE 7 - CAPITAL ASSETS**

**Summary of Capital Assets - Governmental Activities**

The following is a summary of capital assets of the governmental activities as of September 30, 2016:

Land	\$ 2,457,334
Buildings	4,383,892
Improvements other than buildings	10,795,644
Machinery and equipment	7,611,847
Construction in progress	<u>33,121</u>
	25,281,838
Less accumulated depreciation	<u>16,078,625</u>
	<u><u>\$ 9,203,213</u></u>

CITY OF CLEWISTON, FLORIDA  
Notes to Financial Statements  
September 30, 2016

NOTE 7 - CAPITAL ASSETS (continued)

Changes in Capital Assets - Governmental Activities

The following is a summary of changes in capital assets of the governmental activities for the year ended September 30, 2016:

	Balance October 1, 2015	Additions	Deletions	Balance September 30, 2016
Land	\$ 2,457,334	\$ -	\$ -	\$ 2,457,334
Buildings	4,383,892	-	-	4,383,892
Improvements other than buildings	10,373,096	422,548	-	10,795,644
Machinery and equipment	7,455,447	520,700	364,300	7,611,847
Construction in progress	<u>6,291</u>	<u>26,830</u>	<u>-</u>	<u>33,121</u>
	24,676,060	970,078	364,300	25,281,838
Less accumulated depreciation	<u>15,839,547</u>	<u>603,378</u>	<u>364,300</u>	<u>16,078,625</u>
	<u>\$ 8,836,513</u>	<u>\$ 366,700</u>	<u>\$ -</u>	<u>\$ 9,203,213</u>

Summary of Capital Assets - Business-type Activities

The following is a summary of capital assets of the business-type activities for the year ended September 30, 2016:

	Electric Fund	Water/Sewer Fund	Solid Waste Fund	Total
Land	\$ 27,667	\$ 642,475	\$ -	\$ 670,142
Buildings	1,927,384	18,499	47,454	1,993,337
Improvements other than buildings	11,674,782	35,792,245	-	47,467,027
Machinery and equipment	2,002,011	1,779,975	1,670,926	5,452,912
Construction in progress	<u>-</u>	<u>1,117,416</u>	<u>-</u>	<u>1,117,416</u>
	15,631,844	39,350,610	1,718,380	56,700,834
Less accumulated depreciation	<u>10,032,613</u>	<u>13,709,267</u>	<u>1,318,725</u>	<u>25,060,605</u>
	<u>\$ 5,599,231</u>	<u>\$ 25,641,343</u>	<u>\$ 399,655</u>	<u>\$ 31,640,229</u>

CITY OF CLEWISTON, FLORIDA  
Notes to Financial Statements  
September 30, 2016

**NOTE 7 - CAPITAL ASSETS (continued)**

**Changes in Capital Assets - Business-type Activities**

The following is a summary of changes in capital assets for each enterprise fund for the year ended September 30, 2016:

<b>Electric Fund</b>	<b>Balance October 1, 2015</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance September 30, 2016</b>
Land	\$ 27,667	\$ -	\$ -	\$ 27,667
Buildings	1,927,384	-	-	1,927,384
Improvements other than buildings	11,659,642	15,140	-	11,674,782
Machinery and equipment	1,986,990	15,021	-	2,002,011
	15,601,683	30,161	-	15,631,844
Less accumulated depreciation	9,607,233	425,380	-	10,032,613
	<u>\$ 5,994,450</u>	<u>\$ (395,219)</u>	<u>\$ -</u>	<u>\$ 5,599,231</u>
<b>Water and Sewer Fund</b>	<b>Balance October 1, 2015</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance September 30, 2016</b>
Land	\$ 642,475	\$ -	\$ -	\$ 642,475
Buildings	18,499	-	-	18,499
Improvements other than buildings	35,791,595	650	-	35,792,245
Machinery and equipment	1,788,784	7,070	15,879	1,779,975
Construction in progress	1,117,416	-	-	1,117,416
	39,358,769	7,720	15,879	39,350,610
Less accumulated depreciation	12,933,177	791,969	15,879	13,709,267
	<u>\$ 26,425,592</u>	<u>\$ (784,249)</u>	<u>\$ -</u>	<u>\$ 25,641,343</u>
<b>Solid Waste Fund</b>	<b>Balance October 1, 2015</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance September 30, 2016</b>
Buildings	\$ 47,454	\$ -	\$ -	\$ 47,454
Machinery and equipment	1,767,039	-	96,113	1,670,926
	1,814,493	-	96,113	1,718,380
Less accumulated depreciation	1,308,861	105,977	96,113	1,318,725
	<u>\$ 505,632</u>	<u>\$ (105,977)</u>	<u>\$ -</u>	<u>\$ 399,655</u>



CITY OF CLEWISTON, FLORIDA  
Notes to Financial Statements  
September 30, 2016

NOTE 7 - CAPITAL ASSETS (continued)

Depreciation Expense Allocation

Depreciation expense was charged to functions/programs as follows:

Governmental activities	
General government	\$ 34,143
Public safety	172,102
Physical environment	-
Transportation	168,336
Culture and recreation	197,629
Economic environment	22,148
Human services	<u>9,020</u>
Total depreciation expense - governmental activities	<u>\$ 603,378</u>
Business-type activities	
Electric	\$ 425,380
Water and Sewer	791,969
Solid Waste	<u>105,977</u>
Total depreciation expense - business-type activities	<u>\$ 1,323,326</u>

NOTE 8 - EMPLOYEE ANNUAL LEAVE

As explained in Note 1, City employees may accumulate unused vacation pay within certain limits.

Records are maintained for employees showing the number of days leave accrued. The amount of vacation pay accrued in the governmental activities as a current accrued liability for the year ended September 30, 2016, was \$20,532. The amount accrued in the governmental activities as a noncurrent liability was \$186,488. The amount of accrued annual leave in the business-type activities was \$48,313. Currently, employees will lose unused vacation time in excess of 320 hours as of October 1 of each fiscal year.

CITY OF CLEWISTON, FLORIDA

Notes to Financial Statements

September 30, 2016

**NOTE 9 - LONG-TERM DEBT**

**Changes in Long-Term Debt**

The following is a summary of long-term debt transactions of the City for the year ended September 30, 2016:

	Balance October 1, 2015	New Debt Issued	Retirement of Debt	Balance Sept. 30, 2016	Due Within One Year	Long-term Portion
Governmental Activities						
General Fund						
Advances from other fund	\$ 481,854	\$ 125,000	\$ -	\$ 606,854	\$ 125,000	\$ 481,854
Note payable - bank	-	350,000	-	350,000	65,504	284,496
FDEO repay. agreement	324,941	-	32,494	292,447	64,988	227,459
Net pension liability	2,188,837	462,294	-	2,651,131	-	2,651,131
Compensated absences	184,994	1,494	-	186,488	-	186,488
Business-type Activities						
Electric Fund						
Note payable - bank	628,445	-	157,230	471,215	157,111	314,104
Net pension liability	392,847	-	131,019	261,828	-	261,828
Water and Sewer Fund						
Revenue bonds payable	13,245,000	-	218,000	13,027,000	227,000	12,800,000
Note payable - bank	199,810	-	40,000	159,810	40,000	119,810
Notes payable - FDEP SRF	858,658	-	49,923	808,735	50,631	758,104
Net pension liability	160,711	-	56,511	104,200	-	104,200
Solid Waste Fund						
Net pension liability	89,284	-	29,861	59,423	-	59,423
	<u>\$ 18,755,381</u>	<u>\$ 938,788</u>	<u>\$ 715,038</u>	<u>\$ 18,979,131</u>	<u>\$ 730,234</u>	<u>\$ 18,248,897</u>

**Summary of Long-Term Debt**

Long-term debt at September 30, 2016, is comprised of the following:

**Governmental Activities**

**Advances From Other Fund**

Advance payable by the General Fund to the Water and Sewer Fund, payments were suspended for fiscal years 2016 and 2017, due in three remaining equal annual installments of \$29,700 and a final payment of \$31,948 in 2021. \$ 121,048

Advance payable by the General Fund to the Water and Sewer Fund, payments were suspended for fiscal years 2016 and 2017, due in monthly installments equal to the principal collections on the General Fund's note receivable in connection with the industry development project at that City's commerce park. 360,806

Advance payable by the General Fund to the Water and Sewer Fund, due in one installment during the fiscal year ended September 30, 2017 125,000

CITY OF CLEWISTON, FLORIDA  
Notes to Financial Statements  
September 30, 2016

NOTE 9 - LONG-TERM DEBT (continued)

Summary of Long-Term Debt (continued)

Governmental Activities (continued)

Note Payable - Bank

Note payable to a bank, dated December 30, 2015, payable in five annual annual payments of \$77,124, including interest at 3.32%, due January 1 of each year, with the first payment due on January 1, 2017. The final maturity date of the loan is January 1, 2021. Proceeds from the loan were used to purchase vehicles for the police and animal control departments and equipment for the recreation department. 350,000

Florida Department of Economic Opportunity (FDEO)  
Repayment Agreement

CDBG grant funds received by the City under the Florida Small Cities Community Development Block Grant program to be repaid to the FDEO due to employment goals which were not met in connection with the City's development of the Park of Commerce. Payable in quarterly installments of \$16,247, beginning June 30, 2016, for five years, with no interest. 292,447

Net Pension Liability

As of September 30, 2016, the governmental activities collective share of the Florida Retirement System's net pension liability was \$1,917,898 and the governmental activities net pension liability related to the frozen defined benefit retirement plan was \$733,233. 2,651,131

Compensated Absences

As of September 30, 2016, other long-term liabilities consisted of the noncurrent portion of the compensated absences liability of the General Fund. 186,488

Business-type Activities

Electric Fund

Note Payable - Bank

Note payable to a bank, dated August 26, 2009, payable in nine annual level level payments of principal of \$157,111 due October 1 of each year with the first payment due on October 1, 2010. Interest payments shall be paid monthly with the first interest payment due on October 1, 2009 and on the first day of each month thereafter until principal amount of such loan is paid in full. The final maturity date of the loan is October 1, 2018.

CITY OF CLEWISTON, FLORIDA  
Notes to Financial Statements  
September 30, 2016

NOTE 9 - LONG-TERM DEBT (continued)

Summary of Long-term Debt (continued)

Business-type Activities (continued)

Electric Fund (continued)

Note Payable - Bank (continued)

The interest rate on this loan is at a fixed rate of 4.5% over the life of the loan provided that said interest on the note will be tax-exempt to the holder and is a "qualified tax-exempt obligation" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986. If for any reason this loan should become a taxable obligation during its term or it should be determined to not be a "qualified tax-exempt obligation" within the meaning of Section 265 (b)(3) of the Internal Revenue Code of 1986, then the rate will adjust to its fully taxable equivalent rate of 6.59%.

This loan is secured by a pledge of the Net Revenues of the City of Clewiston Electric System on a senior lien basis.

471,215

Water and Sewer Fund

Water and Sewer Revenue Bonds - Series 2007A

4.125% revenue bonds payable, issued on June 7, 2007, to finance improvements to water system; payment of principal, interest, and reserve account contributions are secured by net revenues of the water and sewer system; interest only for 2007 and 2008, then bonds mature serially on September 1, each year until the year 2046.

7,236,000

Water and Sewer Revenue Bonds - Series 2007B

4.125% revenue bonds payable, issued on June 7, 2007, to finance improvements to water system; payment of principal, interest, and reserve account contributions are secured by net revenues of the water and sewer system; interest only for 2007 and 2008, then bonds mature serially on September 1, each year until the year 2046.

5,791,000

CITY OF CLEWISTON, FLORIDA  
Notes to Financial Statements  
September 30, 2016

NOTE 9 - LONG-TERM DEBT (continued)

Summary of Long-term Debt (continued)

Business-type Activities (continued)

Water and Sewer Fund (continued)

Note Payable - Bank

Note payable to a bank, dated April 21, 2010, payable in ten annual principal payments of \$40,000 due April 21, of each year with the first principal payment due on April 21, 2011. Interest shall be paid in arrears monthly at the rate of 4.75%, commencing on May 21, 2010. The final maturity date of the loan is April 21, 2020. Proceeds from the loan were used to construct improvements to the sewer system.

159,810

Notes Payable - Florida Department of Environmental Protection - State Revolving Fund

Notes payable to Florida Department of Environmental Protection - State Revolving Fund with the beginning of the repayment period to be October 15, 2010. The two notes are payable in forty semi-annual payments in a combined amount of \$30,940, including interest at the rate of 1.42%, beginning April 15, 2011. The maturity date of the loans is October 15, 2030. Loans are secured by net revenues of water and sewer systems. Proceeds from the loans were used to construct improvements to the sewer system.

808,735

Net Pension Liability - All Proprietary Funds

The proprietary funds net pension liability was related to the frozen defined benefit retirement plan.

425,451

\$ 18,979,131

Annual Requirements to Amortize Debt Principal and Interest of Governmental Activities

The annual requirements to amortize the debt outstanding of the governmental-type activities as of September 30, 2016, are as follows:

Year Ending Sept. 30,	Advances Payable - Water & Sewer Fund			Note Payable - Bank		
	Interest	Principal	Total	Interest	Principal	Total
2017	\$ -	\$ 125,000	\$ 125,000	\$ 11,620	\$ 65,504	\$ 77,124
2018	-	44,626	44,626	9,446	67,678	77,124
2019	-	45,235	45,235	7,199	69,925	77,124
2020	-	45,868	45,868	4,877	72,247	77,124
2021	-	48,775	48,775	2,478	74,646	77,124
2022-2026	-	94,989	94,989	-	-	-
2027-2031	-	115,982	115,982	-	-	-
2032-2033	-	86,379	86,379	-	-	-
	<u>\$ -</u>	<u>\$ 606,854</u>	<u>\$ 606,854</u>	<u>\$ 35,620</u>	<u>\$ 350,000</u>	<u>\$ 385,620</u>

CITY OF CLEWISTON, FLORIDA  
Notes to Financial Statements  
September 30, 2016

NOTE 9 - LONG-TERM DEBT (continued)

Summary of Long-term Debt (continued)

Annual Requirements to Amortize Debt Principal and Interest of Governmental Activities (continued)

Year Ending Sept. 30,	FDEO Repayment Agreement			Total		
	Interest	Principal	Total	Interest	Principal	Total
2017	\$ -	\$ 64,988	\$ 64,988	\$ 11,620	\$ 255,492	\$ 267,112
2018	-	64,988	64,988	9,446	177,292	186,738
2019	-	64,988	64,988	7,199	180,148	187,347
2020	-	64,988	64,988	4,877	183,103	187,980
2021	-	32,495	32,495	2,478	155,916	158,394
2022-2026	-	-	-	-	94,989	94,989
2027-2031	-	-	-	-	115,982	115,982
2032-2033	-	-	-	-	86,379	86,379
	<u>\$ -</u>	<u>\$ 292,447</u>	<u>\$ 292,447</u>	<u>\$ 35,620</u>	<u>\$ 1,249,301</u>	<u>\$ 1,284,921</u>

Annual Requirements to Amortize Debt Principal and Interest of Business-type Activities

The annual requirements to amortize the debt outstanding of the business-type activities as of September 30, 2016, including interest payments of \$22,977 on the Electric Fund's note payable and interest payments of \$10,029,930 on the Water & Sewer Fund's revenue bonds and notes payable are as follows:

Year Ending Sept. 30,	Electric Fund - Note Payable - Bank			Water & Sewer Fund - Revenue Bonds Payable		
	Interest	Principal	Total	Interest	Principal	Total
2017	\$ 14,729	\$ 157,111	\$ 171,840	\$ 537,364	\$ 227,000	\$ 764,364
2018	7,659	157,111	164,770	528,000	236,000	764,000
2019	589	156,993	157,582	518,265	247,000	765,265
2020	-	-	-	508,076	256,000	764,076
2021	-	-	-	497,516	267,000	764,516
2022-2026	-	-	-	2,312,970	1,510,000	3,822,970
2027-2031	-	-	-	1,974,761	1,848,000	3,822,761
2032-2036	-	-	-	1,560,900	2,262,000	3,822,900
2037-2041	-	-	-	1,054,144	2,770,000	3,824,144
2042-2046	-	-	-	433,620	3,404,000	3,837,620
	<u>\$ 22,977</u>	<u>\$ 471,215</u>	<u>\$ 494,192</u>	<u>\$ 9,925,616</u>	<u>\$ 13,027,000</u>	<u>\$ 22,952,616</u>

Year Ending Sept. 30,	Water & Sewer Fund - Note Payable - Bank			Water & Sewer Fund - Notes Payable - FL DEP SRF		
	Interest	Principal	Total	Interest	Principal	Total
2017	\$ 6,799	\$ 40,000	\$ 46,799	\$ 11,248	\$ 50,631	\$ 61,879
2018	4,899	40,000	44,899	10,530	51,349	61,879
2019	2,999	40,000	42,999	9,802	52,077	61,879
2020	1,103	39,810	40,913	9,064	52,815	61,879
2021	-	-	-	8,315	53,564	61,879
2022-2026	-	-	-	29,968	279,429	309,397
2027-2031	-	-	-	9,587	268,870	278,457
2032-2036	-	-	-	-	-	-
2037-2041	-	-	-	-	-	-
2042-2046	-	-	-	-	-	-
	<u>\$ 15,800</u>	<u>\$ 159,810</u>	<u>\$ 175,610</u>	<u>\$ 88,514</u>	<u>\$ 808,735</u>	<u>\$ 897,249</u>

CITY OF CLEWISTON, FLORIDA  
Notes to Financial Statements  
September 30, 2016

NOTE 9 - LONG-TERM DEBT (continued)

Summary of Long-term Debt (continued)

Annual Requirements to Amortize Debt Principal and Interest of Business-type Activities (continued)

Year Ending Sept. 30,	Total Long-term Debt		
	Interest	Principal	Total
2017	\$ 570,140	\$ 474,742	\$ 1,044,882
2018	551,088	484,460	1,035,548
2019	531,655	496,070	1,027,725
2020	518,243	348,625	866,868
2021	505,831	320,564	826,395
2022-2026	2,342,938	1,789,429	4,132,367
2027-2031	1,984,348	2,116,870	4,101,218
2032-2036	1,560,900	2,262,000	3,822,900
2037-2041	1,054,144	2,770,000	3,824,144
2042-2046	433,620	3,404,000	3,837,620
	<u>\$ 10,052,907</u>	<u>\$ 14,466,760</u>	<u>\$ 24,519,667</u>

Water and Sewer Revenue Bond Covenants

The Resolution authorizing the issuance of the Water and Sewer Revenue Bonds requires the City to establish and maintain the following funds and establish adequate utility rates:

1. **Revenue Fund** - to receive all of the gross revenues derived from the operations of the Water and Sewer System. The Fund shall be used to pay the operation and maintenance expenses of the System and make the required monthly transfers to the other specified funds.
2. **Water and Sewer Refunding Revenue Bonds, Sinking Fund** - sums funded monthly sufficient to pay the interest and principal due each September 1.
3. **Reserve Account to the Sinking Fund** - sums funded monthly equal to 1/120 of the maximum annual bond service requirements until the reserve equals or exceeds the maximum annual bond service requirement. The reserve account to the sinking fund was completely funded as of September 30, 2016.
4. **Short Lived Asset Reserve Fund** - to receive a monthly transfer of one-twelfth of the specified amount of \$42,333 until the Short Lived Asset Reserve Fund reaches \$635,000. The funds are to be used for (1) emergency maintenance (2) extensions to the system or, (3) replacement of short lived assets which have a useful life less than the repayment period of the bonds. The short lived asset reserve fund was completely funded as of September 30, 2016.
5. **Redemption Account Fund** - the balance of the gross revenues after payment of operating expenses and required transfers can be deposited into the Redemption Account or the excess funds can be used for any lawful purpose. The funds in the Redemption Account should be used for redeeming bonds for retirement at a price not to exceed par and accrued interest.
6. **Utility Rate Covenant** - The City shall establish utility rates sufficient to produce revenues which are equal to or greater than the operating expenses of the water and sewer systems, less depreciation, plus all bond sinking and reserve requirements.

CITY OF CLEWISTON, FLORIDA  
Notes to Financial Statements  
September 30, 2016

NOTE 9 - LONG-TERM DEBT (continued)

Summary of Long-term Debt (continued)

Pledged Revenues

The City has pledged certain revenues to repay certain bonds and notes outstanding as of September 30, 2016. The following table reports the revenues pledged for each debt issue; the amounts of such revenues received in the current year; the current year principal and interest paid on the debt; the approximate percentage of each revenue pledged to meet the debt obligation; the maturity date of each debt agreement; and the total pledged for future revenues for each debt issuance, which is the amount of the remaining principal and interest on the bonds and notes at September 30, 2016.

Description of Issue	Pledged Revenue	Revenue Received	Principal and Interest Paid	Estimated Percentage of Revenues Pledged	Outstanding Principal and Interest	Pledged Through
<u>Business-type Activities</u>						
Note payable - Bank	Net operating revenues of the electric system	\$ 11,021,233	\$ 179,025	1.62%	\$ 494,192	2019
Water and Sewer Revenue Bonds - Series 2007A and 2007B	Net operating revenues of the water and sewer systems	\$ 3,433,981	\$ 764,356	22.26%	\$ 22,952,616	2046
Notes payable - FDEP - State Revolving Fund	Net operating revenues of the water and sewer systems	\$ 3,433,981	\$ 61,879	1.80%	\$ 897,249	2030



CITY OF CLEWISTON, FLORIDA  
Notes to Financial Statements  
September 30, 2016

NOTE 10 - NET POSITION AND FUND BALANCES

Restrictions of net position and classifications of fund balances of the City are created to either (1) satisfy legal covenants that require that a portion of the net position/fund balance be segregated, or (2) identify the portion of net position/fund balance that is not appropriable for future expenditures. Specific restrictions of net position and classifications of fund balances are as follows:

Restricted for Community Redevelopment

This restriction was created to segregate a portion of net position for monies designated for future community redevelopment within the Community Redevelopment Agency.

Restricted for Construction and Debt Retirement

This restriction was created to segregate that portion of net position for monies which have been designated for future construction or debt retirement. During the year ended September 30, 1992, the City established an Electric Capital Improvement Fund to, (1) replace equipment damaged by a hurricane or other disaster, (2) maintain rate stabilization or, (3) provide capital improvements to the system, as well as make payments on debt associated with capital improvements to the system. Within the Water and Sewer Fund, all impact fees which have been collected are designated for future construction.

Restricted for Working Capital - FMFA

This restriction was created to segregate a portion of net position for working capital funds which have been sent to FMFA and will be returned to the City at a future undetermined date.

Nonspendable Fund Balance

This classification of fund balance represents the portion of the fund balance that is not available for current expenditures because it is in the form of inventory, a note receivable, and prepaid expense.

Restricted Fund Balance

This portion of the fund balance has been restricted for future community development within the Community Redevelopment Agency.

Held in Trust for Pension Benefits

This restriction of net position was created to designate the use of all resources contributed to or earned by the Pension Trust Fund for pension benefits to employees and their designated beneficiaries.

CITY OF CLEWISTON, FLORIDA  
Notes to Financial Statements  
September 30, 2016

**NOTE 11- SEGMENT INFORMATION**

The following is a list of key segment information for the business-type activities as of and for the year ended September 30, 2016:

	Electric Fund	Water/Sewer Fund	Solid Waste Fund	Total
Assets and deferred outflows of resources				
Current assets	\$ 5,895,166	\$ 6,708,409	\$ 751,310	\$ 13,354,885
Capital assets	5,599,231	25,641,343	399,655	31,640,229
Other assets	425,207	-	-	425,207
Deferred outflows of resources	205,412	84,032	46,684	336,128
Liabilities and deferred inflows of resources				
Current liabilities	1,780,856	1,112,721	73,858	2,967,435
Long-term liabilities	575,932	13,782,114	59,423	14,417,469
Deferred inflows of resources	172,959	70,756	39,309	283,024
Net position				
Invested in capital assets, net of related debt	5,128,016	11,645,978	399,655	17,173,649
Restricted	632,987	3,100,247	-	3,733,234
Unrestricted	3,834,266	2,721,968	625,404	7,181,638
Charges for services	11,021,233	3,433,981	1,293,253	15,748,467
Operating expenses	10,312,537	3,316,058	1,111,732	14,740,327
Operating income	708,696	117,923	181,521	1,008,140
Non-operating revenues (expenses)	(15,578)	(531,393)	699	(546,272)
Capital contributions	-	120,081	-	120,081
Operating transfers-out	(970,751)	(347,016)	(120,381)	(1,438,148)
Changes in net position	(277,633)	(640,405)	61,839	(856,199)
Beginning net position	9,872,902	18,108,598	963,220	28,944,720
Ending net position	9,595,269	17,468,193	1,025,059	28,088,521
Net cash provided by (used for):				
Operating activities	1,225,658	983,010	291,505	2,500,173
Noncapital financing activities	(874,908)	(439,123)	(231,655)	(1,545,686)
Capital and related financing activities	(209,187)	(693,359)	-	(902,546)
Investing activities	2,428	25,368	699	28,495
Beginning cash and cash equivalents	1,131,283	4,552,546	111,099	5,794,928
Ending cash and cash equivalents	1,275,274	4,428,442	171,648	5,875,364

CITY OF CLEWISTON, FLORIDA  
Notes to Financial Statements  
September 30, 2016

**NOTE 12 - OPERATING GRANTS, CAPITAL GRANTS, AND OTHER CONTRIBUTIONS**

The following is a schedule of operating grants, capital grants, and other contributions received by the City during the fiscal year ended September 30, 2016.

	Governmental Activities	Business-type Activities	Total
Federal Awards Programs	\$ 9,061	\$ -	\$ 9,061
State Financial Assistance	473,429	-	473,429
Contributions from Hendry County	195,811	-	195,811
Contributions from citizens, customers, and developers	19,769	100,081	119,850
Contributions from private foundations	21,487	-	21,487
Contribution from Clewiston Redevelopment Agency	-	20,000	20,000
	<u>\$ 719,557</u>	<u>\$ 120,081</u>	<u>\$ 839,638</u>

See pages 91-93 for more information concerning federal awards programs and state financial assistance. The contributions from Hendry County were used for culture and recreational activities. Current year contributions to the governmental activities from citizens were through a recreational voluntary contribution program, other recreational contributions, and contributions to the public library. Current year contributions to the business-type activities from customers and developers consisted of impact fees paid as required by a City ordinance. The impact fees are reserved for current and future construction. Contributions from private foundations were for cultural and recreational programs. The Community Redevelopment Agency contributed \$20,000 toward the South Side Sewer Project debt repayment during the fiscal year ended September 30, 2016.

**NOTE 13 - FLORIDA RETIREMENT SYSTEM - CERTIFIED POLICE OFFICERS**

**General Information**

As provided by Chapters 121 and 112, Florida Statutes, the Florida Retirement System (FRS) provides two cost sharing, multiple employer defined benefit plans administered by the Florida Department of Management Services, Division of Retirement, including the FRS Pension Plan (Pension Plan) and the Retiree Health Insurance Subsidy Program (HIS Program). As a general rule, membership in the FRS is compulsory for all employees working in a regularly established position for a state agency, county government, district school board, state university, community college, or a participating city or special district within the State of Florida. The FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 121, Florida Statutes, and Chapter 60S, Florida Administrative Code. Amendments to the law can be made only by an act of the Florida State Legislature.

CITY OF CLEWISTON, FLORIDA  
Notes to Financial Statements  
September 30, 2016

**NOTE 13 - FLORIDA RETIREMENT SYSTEM - CERTIFIED POLICE OFFICERS (continued)**

**General Information (continued)**

Membership in the Florida Retirement System is compulsory for all of the City's certified police officers hired after February 1, 2004. All certified police officers hired prior to February 1, 2004, were allowed to elect to participate in the Florida Retirement System or remain in the existing City pension plan.

The FRS has five classes of membership. The City's certified law enforcement officers belong to one of the five classes, the Special Risk Class.

The State of Florida annually issues a publicly available financial report that includes financial statements and required supplementary information for the FRS. The latest available report may be obtained by writing to the State of Florida Division of Retirement, Department of Management Services, P.O. Box 9000, Tallahassee, Florida 32315-9000, or calling toll free at 877-377-1737. The report is also available at the Florida Department of Management Services from the Web site: [www.dms.myflorida.com](http://www.dms.myflorida.com)

**Significant Accounting Policies**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Pension Plan and HIS Program and additions to/deductions from the Pension Plan and HIS Program fiduciary net position have been determined on the same basis as they are reported by the Pension Plan and HIS Program. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Pension Plan**

**Plan Description**

The Pension Plan is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program (DROP) for eligible employees.

**Benefits Provided**

Benefits under the Pension Plan are computed on the basis of age, average final compensation, and service credit. For Special Risk Class (sworn law enforcement officers, firefighters, and correctional officers) enrolled prior to July 1, 2011, who retire at or after age 55 with at least six years of credited service, or with 25 years of service regardless of age, are entitled to a retirement benefit payable monthly for life, equal to 3% of their final average compensation based on the five highest years of salary for each year of credited service.

CITY OF CLEWISTON, FLORIDA  
Notes to Financial Statements  
September 30, 2016

**NOTE 13 - FLORIDA RETIREMENT SYSTEM - CERTIFIED POLICE OFFICERS (continued)**

**Pension Plan (continued)**

**Benefits Provided (continued)**

For Special Risk Class members enrolled on or after July 1, 2011, the vesting requirement is extended to eight years of credited service for all these members and the normal retirement age is increased to age 65, or 30 years of service, regardless of age. Also, the final average compensation for Special Risk Class members will be based on the eight highest years of salary.

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the Pension Plan before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3% per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3% determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3%. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

In addition to the above benefits, the DROP program allows eligible members to defer receipt of monthly retirement benefit payments while continuing employment with a FRS employer for a period not to exceed 60 months after electing to participate. Deferred monthly benefits are held in the FRS Trust Fund and accrue interest. There are no required contributions by DROP participants.

**Contributions**

Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants, are required to contribute three percent of their salary to the FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year. The employer contribution rates for Special Risk Class for the periods from October 1, 2015, through June 30, 2016, and from July 1, 2016, through September 30, 2016, were 22.04% and 22.57%, respectively, and DROP participants - 12.88% and 12.99%, respectively. These employer contribution rates include 1.66% HIS Program subsidy for the period October 1, 2015, through September 30, 2016.

The City's contributions, including employee contributions, to the Pension Plan totaled \$196,395 for the fiscal year ended September 30, 2016.

CITY OF CLEWISTON, FLORIDA  
Notes to Financial Statements  
September 30, 2016

**NOTE 13 - FLORIDA RETIREMENT SYSTEM - CERTIFIED POLICE OFFICERS (continued)**

**Pension Plan (continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to FRS Pension Plan**

At September 30, 2016, the City reported a liability of \$1,600,919 for its proportionate share of the FRS Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The City's proportionate share of the net pension liability was based on the City's 2015-16 fiscal year contributions relative to the 2014-15 fiscal year contributions of all participating members. At June 30, 2016, the City's proportionate share was .006340252%, which was an increase of .000509634% from its proportionate share measured as of June 30, 2015.

For the fiscal year ended September 30, 2016, the City recognized pension expense of \$240,658 related to the FRS Pension Plan. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to the FRS Pension Plan from the following sources:

<u>Description</u>	<u>Deferred Outflows of</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$122,579	\$ 14,906
Change of assumptions	96,851	-
Net difference between projected and actual earnings on Pension Plan investments	413,818	-
Changes in proportion and differences between City Pension Plan contributions and proportionate share of contributions	61,096	82,480
City Pension Plan contributions subsequent to the measurement date	<u>47,875</u>	<u>-</u>
Total	<u>\$742,219</u>	<u>\$ 97,386</u>

The deferred outflows of resources related to the FRS Pension Plan, totaling \$47,875 resulting from City contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the FRS Pension Plan will be recognized in pension expense as follows:

<u>Fiscal Year Ending September 30,</u>	<u>Amount</u>
2017	\$ 82,201
2018	82,201
2019	238,007
2020	162,850
2021	23,998
Thereafter	<u>7,701</u>
	<u>\$ 596,958</u>

CITY OF CLEWISTON, FLORIDA  
Notes to Financial Statements  
September 30, 2016

**NOTE 13 - FLORIDA RETIREMENT SYSTEM - CERTIFIED POLICE OFFICERS (continued)**

**Pension Plan (continued)**

**Actuarial Assumptions**

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumption, applied to all periods included in the measurement:

Valuation date	July 1, 2016
Measurement date	June 30, 2016
Inflation	2.60%
Salary increase	3.25%, average, including inflation
Investment rate of return	The long-term rate of return was decreased from 7.65% to 7.60%, net of Pension Plan investment expense
Mortality	Generational RP-2000 with Projection Scale BB Tables
Actuarial cost method	Individual Entry Age

The actuarial assumptions used in the July 1, 2016, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

The long-term expected rate of return on FRS Pension Plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	(1) Target Allocation	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.0%	3.0%	3.0%	1.7%
Fixed Income	18.0%	4.7%	4.6%	4.6%
Global Equity	53.0%	8.1%	6.8%	17.2%
Real Estate (Property)	10.0%	6.4%	5.8%	12.0%
Private Equity	6.0%	11.5%	7.8%	30.0%
Strategic Investments	12.0%	6.1%	5.6%	11.1%
Total	<u>100.0%</u>			
Assumed Inflation - Mean		2.6%		1.9%

(1) As outlined in the Pension Plan's investment policy

CITY OF CLEWISTON, FLORIDA  
Notes to Financial Statements  
September 30, 2016

**NOTE 13 - FLORIDA RETIREMENT SYSTEM - CERTIFIED POLICE OFFICERS (continued)**

**Pension Plan (continued)**

Discount Rate

The discount rate used to measure the total pension liability was 7.60%. The FRS Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculation of the total pension liability is equal to the long-term expected rate of return.

**Sensitivity of the City's Proportionate Share of the FRS Pension Plan Net Position Liability to Changes in the Discount Rate**

The following table represents the City's proportionate share of the net pension liability calculated using the discount rate of 7.6%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.6%) or one percentage point higher (8.6%) than the current rate.

	1% Decrease <u>(6.6%)</u>	Current Discount Rate <u>(7.6%)</u>	1% Increase <u>(8.6%)</u>
City's proportionate share of the net pension liability	\$2,947,399	\$1,600,919	\$480,147

**Pension Plan Fiduciary Net Position**

Detailed information regarding the FRS Pension Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

**Payables to the Pension Plan**

At September 30, 2016, the City reported a payable in the amount of \$21,025 for outstanding contributions to the FRS Pension Plan required for the fiscal year ended September 30, 2016.

**Retiree Health Insurance Subsidy Program**

Program Description

The HIS Program is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.



CITY OF CLEWISTON, FLORIDA  
Notes to Financial Statements  
September 30, 2016

**NOTE 13 - FLORIDA RETIREMENT SYSTEM - CERTIFIED POLICE OFFICERS (continued)**

**Retiree Health Insurance Subsidy Program (continued)**

**Benefits Provided**

For the fiscal year ended September 30, 2016, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month. To be eligible to receive these benefits, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

**Contributions**

The HIS Program is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2016, the HIS contributions for the period October 1, 2015, through September 30, 2016, was 1.66%. The City contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Program contributions are deposited in a separate trust fund from which payments are authorized. HIS Program benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

The City's contributions to the HIS Program totaled \$14,023 for the fiscal year ended September 30, 2016.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to FRS HIS Program**

At September 30, 2016, the City reported a liability of \$316,979 for its proportionate share of the HIS Program's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The City's proportionate share of the net pension liability was based on the City's 2015-16 fiscal year contributions relative to the 2014-15 fiscal year contributions of all participating members. At June 30, 2016, the City's proportionate share was .002719782%, which was a decrease of .000152288% from its proportionate share measured as of June 30, 2015.

CITY OF CLEWISTON, FLORIDA  
Notes to Financial Statements  
September 30, 2016

**NOTE 13 - FLORIDA RETIREMENT SYSTEM - CERTIFIED POLICE OFFICERS (continued)**

**Retiree Health Insurance Subsidy Program (continued)**

For the fiscal year ended September 30, 2016, the City recognized pension expense of \$22,570 related to the HIS Program. In addition the City reported deferred outflows of resources and deferred inflows of resources related to the HIS Program from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 592
Change of assumptions	49,742	-
Net difference between projected and actual earnings on HIS Program investments	30	-
Changes in proportion and differences between City HIS Program contributions and proportionate share of contributions	-	20,007
City HIS Program contributions subsequent to the measurement date	<u>3,812</u>	<u>-</u>
Total	<u>\$ 53,584</u>	<u>\$ 20,599</u>

The deferred outflows of resources related to the HIS Program, totaling \$3,812 resulting from City contributions to the HIS Program subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS Program will be recognized in pension expense as follows:

<u>Fiscal Year Ending September 30,</u>	<u>Amount</u>
2017	\$ 5,225
2018	5,225
2019	5,204
2020	5,196
2021	4,496
Thereafter	<u>3,827</u>
	<u>\$ 29,173</u>

CITY OF CLEWISTON, FLORIDA  
Notes to Financial Statements  
September 30, 2016

**NOTE 13 - FLORIDA RETIREMENT SYSTEM - CERTIFIED POLICE OFFICERS (continued)**

**Retiree Health Insurance Subsidy Program (continued)**

**Actuarial Assumptions**

The total pension liability in the July 1, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	July 1, 2016
Measurement date	June 30, 2016
Inflation	2.60%
Salary increase	3.25%, average, including inflation
Municipal Bond Rate	The municipal rate used to determine total pension liability was decreased from 3.8% to 2.85%
Investment rate of return	N/A
Mortality	Generational RP-2000 with Projection Scale BB Tables
Actuarial cost method	Individual Entry Age

The actuarial assumptions used in the July 1, 2016, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

**Discount Rate**

The discount rate used to measure the total pension liability was 2.85%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the FRS Actuarial Assumption Conference. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

**Sensitivity of the City's Proportionate Share of the HIS Program Net Position Liability to Changes in the Discount Rate**

The following table represents the City's proportionate share of the net pension liability calculated using the discount rate of 2.85%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (1.85%) or one percentage point higher (3.85%) than the current rate.

	1% Decrease (1.85%)	Current Discount Rate (2.85%)	1% Increase (3.85%)
City's proportionate share of the net pension liability	\$363,847	\$316,979	\$278,247

CITY OF CLEWISTON, FLORIDA  
Notes to Financial Statements  
September 30, 2016

**NOTE 13 - FLORIDA RETIREMENT SYSTEM - CERTIFIED POLICE OFFICERS (continued)**

**Retiree Health Insurance Subsidy Program (continued)**

HIS Program Fiduciary Net Position

Detailed information regarding the HIS Program's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

Payables to the HIS Program

At September 30, 2016, the City reported a payable in the amount of \$1,669 for outstanding contributions to the HIS Program required for the fiscal year ended September 30, 2016.

**NOTE 14 - FROZEN DEFINED BENEFIT RETIREMENT PLAN**

General Information

The City sponsors a single employer defined benefit pension plan. Securian Retirement Services was appointed by the City as plan administrator and was responsible for all administrative, actuarial, and investment management decisions for the City of Clewiston Pension Plan (Plan) during the fiscal year ended September 30, 2016. Future retirees will have their benefits paid directly from the plan assets instead of through purchased annuities.

The City elected to freeze the benefits, except for cost of living increases, under the defined benefit plan effective October 1, 2012. No new members will be added to the plan after September 30, 2012.

The Plan does not issue a separate stand-alone financial report. The financial information is included as a Pension Trust Fund in the City's financial statements on pages 26 and 27. Also, a breakdown of the Plan's investments as of September 30, 2016, is included in Note 2 on page 41.

The actuarial cost method determines what portion of the total cost of a pension plan should be allocated to the current plan year. The method is thus a budgeting tool which helps to ensure that the pension plan will be adequately and systematically funded.

For plan years beginning October 1, prior to plan year October 1, 2012, the aggregate actuarial cost method was used to actuarially determine the contributions to the plan.

For the plan years beginning October 1, 2012, and October 1, 2013, the projected unit credit actuarial cost method was used to actuarially determine the contributions to the plan.

CITY OF CLEWISTON, FLORIDA  
Notes to Financial Statements  
September 30, 2016

NOTE 14 - FROZEN DEFINED BENEFIT RETIREMENT PLAN (continued)

General Information (continued)

For the plan years beginning October 1, 2014, October 1, 2015, and October 1, 2016, the individual entry age normal cost method was used, as required by GASB 67/68, which spreads the cost of the benefits from hire to expected decrement age. Under the individual entry age normal cost method, the normal cost is the level amount which would exactly fund, for any individual, his projected benefit at retirement, if it were contributed from date of eligibility until retirement. Since benefit accruals are frozen, the normal cost is zero and the accrued liability is equal to the present value of accrued benefits. The unfunded accrued liability is that portion of the accrued liability in excess of plan assets. When the actual experience deviates from the actuarial assumptions, gains or losses are produced. These amounts, along with the unfunded accrued liability, are amortized separately from the annual normal costs. Florida Statutes require that the contribution be no less than the unfunded accrued liability amortized over 30 years. The effect of cost-of-living increases in the IRC Section 415 dollar limitation on benefits and in the IRC Section 401(a)(17) limitation on compensation is treated as part of the actuarial gain (loss).

The actuarial value of assets equals the fair market value as of the valuation date (including any discounted receivable contributions), plus 2/3 of the actual earnings minus expected earnings for the preceding 12 months (plan year), plus 1/3 of the actual earnings minus expected earnings for the 12 months (plan year) preceding that date, as described in the Internal Revenue Notice 2009-22. The actuarial value of assets is adjusted to be within 90-110% of the fair market value on the valuation date.

Benefits, Employee Membership Data, and Covered Payroll

The plan covers all full-time regular employees, except firefighters, police officers, and City Commissioners, who have met the service requirement of one year. The normal retirement benefit is determined as an amount equal to 1.8% of average compensation times years of service. Average compensation is the monthly average of total pay received for five consecutive years out of the ten latest years before retirement date which gives the highest average. The average compensation used for the September 30, 2012, frozen benefit includes the compensation year ending December 31, 2012. The normal retirement date of a participant occurs when he/she has attained age 65 and five years of plan participation. Participants of the plan become fully vested after five years of service. Early retirement benefits are available after an employee has attained age 55 and ten years of service. Benefits available based on early retirement are reduced to reflect the time difference between the early retirement date and the normal retirement date. Employees in the active employment of the City may retire with an unreduced retirement benefit after the attainment of age 62 and completion of ten years of service. Disability and Spouses' Annuity Death Plan benefits are also available under the plan. The pension plan was established in 1968 by resolution of the City Commission. All contributions to the plan are made by the City.

CITY OF CLEWISTON, FLORIDA  
Notes to Financial Statements  
September 30, 2016

NOTE 14 - FROZEN DEFINED BENEFIT RETIREMENT PLAN (continued)

Benefits, Employee Membership Data, and Covered Payroll (continued)

As of October 1, 2016, (the date of the latest available valuation report) employee membership data used in the calculation of the pension obligation was as follows:

Active members	51
Retirees and beneficiaries currently receiving benefits	52
Terminated employees entitled to benefits but not yet receiving them	<u>64</u>
Total participants included in the Plan valuation	<u>167</u>

For the fiscal year ended September 30, 2016, the City's total payroll for all employees was approximately \$4,426,000 and the City's total covered payroll was zero because the plan was frozen as of October 1, 2012. Covered payroll refers to all compensation paid by the City to active employees covered by the pension plan on which contributions to the pension plan are based.

Contributions

The annual required contribution of the City for the year ended September 30, 2016, using the Projected Unit Credit actuarial cost method, was \$122,907. This amount represented the normal cost of the plan at the beginning of the year in the amount of \$8,871 and amortization amounts of \$106,264.

The City's actual contribution for the fiscal year ended September 30, 2016, was \$122,907.

The recommended contribution for the plan year beginning October 1, 2016, is \$106,286. Since the plan accruals are frozen, the unit credit funding method was used. If the sum total of amortizations of method changes, assumption changes, plan changes and gains and losses is less than the total unfunded liability amortized over 30 years, then the minimum will be based on the 30 year amortization of the unfunded liability.

The pension plan experienced a decrease in the contribution level from the prior year due to asset return greater than expected and changes in the actuarial assumptions. The interest rate assumption increased from 6.75% to 7% to better reflect future anticipated expected returns. This change in the actuarial assumptions resulted in a decrease in the plan liabilities. The asset valuation method has been changed from Market Value of Assets to a smoothing method that reduces the volatility of the Market Value of Assets to keep contribution levels more stable.

Investments

Investments of the Plan are reported at fair value. Net appreciation in fair value of investments include realized and unrealized gains and losses.

CITY OF CLEWISTON, FLORIDA  
Notes to Financial Statements  
September 30, 2016

NOTE 14 - FROZEN DEFINED BENEFIT RETIREMENT PLAN (continued)

Rate of Return

For the year ended September 30, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 11.16%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. Inputs to the money-weighted rate of return calculation are determined on a monthly basis.

Long-term Expected Rate of Return

Historical rates of return for individual asset classes and future estimated returns, reduced by expected expenses adjustments and adjusted for inflation are used to develop expected rates of return. The expected inflation assumption was developed based on an analysis of historical CPI experience adjusted for future expectations. These rates of return are applied to the Plan's investment policy to determine a rate of expected return. The long-term expected return is then rounded to the nearest quarter percentage point.

<u>Asset Class</u>	<u>Allocation Policy</u>	<u>Long-term Expected Real Rate of Return</u>	<u>Long-term Expected Nominal Rate of Return</u>
Domestic Equity	58%	5.25%	8.00%
International Equity	12%	5.25%	8.00%
Fixed Income	30%	1.75%	4.50%
Real Estate and Alternatives	0%	3.75%	6.50%
General Account	<u>0%</u>	0.25%	3.00%
Total (weighted average rounded to 1/4%)	<u>100%</u>	4.25%	7.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that Plan contributions will be made equal to the actuarially determined contribution amounts. Based on that assumption, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF CLEWISTON, FLORIDA  
Notes to Financial Statements  
September 30, 2016

NOTE 14 - FROZEN DEFINED BENEFIT RETIREMENT PLAN (continued)

Net Pension Liability

The components of the net pension liability related to the frozen defined benefit plan of the City as of September 30, 2016, were as follows:

Description	Total Pension Liability	Fiduciary Net Position	Net Pension Liability
Balance - September 30, 2015	\$ 11,882,385	\$ 10,096,715	\$ 1,785,670
Changes due to:			
Interest	786,296	-	786,296
Differences between expected and actual experience	(295,687)	-	(295,687)
Change in actuarial assumptions or methods	94,020	-	94,020
Benefit payments and refunds	(467,103)	(467,103)	-
Employer contributions	-	122,907	(122,907)
Net investment income	-	1,105,728	(1,105,728)
Administrative expenses	-	(17,020)	17,020
Total changes	<u>117,526</u>	<u>744,512</u>	<u>(626,986)</u>
Balance - September 30, 2016	<u>\$ 11,999,911</u>	<u>\$ 10,841,227</u>	<u>\$ 1,158,684</u>

The Plan fiduciary net position was 90.34% of the total pension liability as of September 30, 2016.

Sensitivity of the Net Position Liability to Changes in the Discount Rate

The following represents the net pension liability of the City, calculated using the discount rate of 7.00%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate.

	1% Decrease <u>(6.00%)</u>	Current Discount Rate <u>(7.00%)</u>	1% Increase <u>(8.00%)</u>
City's net pension liability	\$2,893,313	\$1,158,684	\$(247,515)

At September 30, 2016, the City reported a net pension liability of \$1,158,684 for the Frozen Defined Benefit Retirement Plan. The liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of October 1, 2016.



CITY OF CLEWISTON, FLORIDA  
Notes to Financial Statements  
September 30, 2016

**NOTE 14 - FROZEN DEFINED BENEFIT RETIREMENT PLAN (continued)**

For the fiscal year ended September 30, 2016, the City recognized pension expense related to the frozen defined benefit plan of \$256,120. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources.

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual liability	\$ -	\$349,788
Changes in assumptions	342,739	-
Differences between expected and actual earnings on pension plan investments	<u>590,951</u>	<u>436,391</u>
Total	<u>\$ 933,690</u>	<u>\$786,179</u>

The amounts reported as deferred outflows of resources and deferred inflows of resources related to the Plan will be recognized in the pension expenses as follows:

<u>Fiscal Year Ending September 30,</u>	<u>Amount</u>
2017	\$ 90,548
2018	90,546
2019	(6,763)
2020	60,459
2021	(87,279)
Thereafter	<u>-</u>
	<u>\$ 147,511</u>

See page 84 which shows a schedule of changes in net pension liability and related ratios for the Plan, page 85 which shows a schedule of employer contributions to the Plan, and page 86 which shows a schedule of Plan investment returns for the City's frozen defined benefit retirement plan.

The actuarial valuation report is available at the administrative offices of the City.

**NOTE 15 - DEFINED BENEFIT PENSION PLANS SUMMARY DATA**

The table on the following page provides a summary of significant information related to the City's defined benefit pension plans for the fiscal year ended September 30, 2016. The information for the Florida Retirement System Pension Plan and the Florida Retirement System Retiree Health Insurance Subsidy Program are the City's proportionate share of the listed items.

CITY OF CLEWISTON, FLORIDA  
Notes to Financial Statements  
September 30, 2016

**NOTE 15 - DEFINED BENEFIT PENSION PLANS SUMMARY DATA (continued)**

Description	Florida Retirement System Pension Plan	Florida Retirement System HIS Program	Frozen Defined Benefit Retirement Plan	Total
Total pension liability	\$10,590,186	\$ 320,076	\$ 11,999,911	\$22,910,173
Plan fiduciary net position	8,989,267	3,097	10,841,227	19,833,591
Net pension liability	1,600,919	316,979	1,158,684	3,076,582
Deferred outflows of resources	742,219	53,584	933,690	1,729,493
Deferred inflows of resources	97,386	20,599	786,179	904,164
Pension expense	240,658	22,570	256,120	519,348

**NOTE 16 - CURRENT DEFINED CONTRIBUTION PLAN FOR EMPLOYEES OTHER THAN CERTIFIED POLICE OFFICERS**

Effective October 1, 2012, the City adopted a Supplemental Retirement Income Plan, a defined contribution plan, for all full-time regular employees other than firefighters, police officers, and City Commissioners. The plan is administered by the City of Clewiston in accordance with Internal Revenue Code Section 401(a). The City Commission has the authority to establish and amend benefit provisions.

The City contributes 6% of each employee's qualified salary (excluding fire fighters, police officers, City Commissioners, and all part-time employees) and all amounts are vested immediately. All contributions to the plan are to be made by the City. The City Commission has the authority to establish and amend contribution requirements. All of the required contributions for the fiscal year ended September 30, 2016, were made by the City which totaled \$171,176.

**NOTE 17 - DEFERRED COMPENSATION PLAN**

Employees of the City may defer a portion of their compensation under the City sponsored deferred compensation plan created in accordance with Internal Revenue Code Section 457. Under this plan, participants are not taxed on the deferred portion of their compensation until the funds are distributed to them.

The laws governing deferred compensation plans require plan assets to be held by a trust for the exclusive benefit of plan participants and their beneficiaries. Because the assets held under these plans are not the City's property and are not subject to City Commission control, they have been excluded from these financial statements.

CITY OF CLEWISTON, FLORIDA  
Notes to Financial Statements  
September 30, 2016

NOTE 18 - COMMITMENTS AND CONTINGENCIES

Florida Municipal Power Agency - Power Sales and Project Support Contracts

The City is a member of the Florida Municipal Power Agency (FMPA) with a membership of thirty-one municipal electric systems. The City is a participant in FMPA's St. Lucie and All-Requirements Projects. The FMPA issued revenue bonds to acquire an ownership interest in the St. Lucie Project and the All-Requirements Project. FMPA has pledged its interest under certain Power Sales Contracts and Project Support Contracts entered into with the participants of the project as security for the bonds. Under the Power Sales Contract, the City has agreed to purchase its entitlement share of the generation capability of the St. Lucie and All-Requirements Projects along with the transmission services for any month electric capacity or energy was made available to the City.

The City's entitlement share totals approximately 2.2% of FMPA's entitlement in the St. Lucie Project and 2.1% of FMPA's entitlement in the All-Requirements Project. In the event payments are not required to be made for any month by the City under its Power Sales Contract because electric capacity and energy were not available, the City would be required to make monthly payments under its Project Support Contract equal to the payment which would have been required under the Power Sales Contract.

Payments under the Power Sales Contract are operating expenses of the electric system, but payments under the Project Support Contracts are not and, therefore, are to be made after payment of operating expenses, debt service and any other payments required to be made under debt instruments.

The City previously entered into a Capacity and Energy Sales Contract with certain other participants. Under this contract, the City agreed to sell the capacity and energy from its respective entitlement share of the project to certain purchasing systems. The purchasing systems agreed to purchase such capacity and energy and to provide back-up capacity and energy. The City remains obligated for payments pursuant to its Power Sales and Project Support Contracts. The City's pro rata share of the Agency's operating deficit for the year ended September 30, 2016, was not material in relation to the City's total electrical system expenditures.

Grants and Assistance

Activities of certain funds of the City are financed in whole or in part by various forms of grants and assistance, principally from Hendry County, the State of Florida, and the federal government. There can be no absolute assurance that such assistance will continue in the future at the present levels. Amounts received from grantor agencies are subject to audit or adjustment by grantor agencies. Also, any amounts disallowed could constitute liabilities of the applicable funds.

During the previous year, the City was notified by the State of Florida, Department of Economic Opportunity, that the City had not met the employment goals required by the CDBG grant related to the City's development of the park of commerce. Therefore, grant funds previously paid to the City in the amount of \$324,941 are currently being repaid.

Litigation

The City, in accordance with the normal conduct of its affairs, is involved in various judgments, claims, and litigation. It is expected that the final settlement of these matters will not materially affect the financial statements of the City.

CITY OF CLEWISTON, FLORIDA  
Notes to Financial Statements  
September 30, 2016

**NOTE 19 - RELATED PARTY TRANSACTIONS**

During the fiscal year ended September 30, 2016, the General Fund charged the Enterprise Funds \$210,359 and the State Library Fund \$17,885 for administrative services. The Electric Fund charged the General Fund \$4,371 for customer billing and collection services related to the General Fund's mosquito services. The Electric Fund charged the Water and Sewer Fund \$59,482 for customer billing related to water and sewer services and the Solid Waste Fund \$20,085 for customer billing related to garbage services.

**NOTE 20 - RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is a member of a public entity risk pool which is a cooperative group of governmental entities joining together to finance an exposure, liability, or risk. The pool provides coverage for property, liability, public officials' liability, workers' compensation, automobile physical damage, general liability, and automobile liability. The cost of the property and casualty insurance and workers' compensation is accounted for in the governmental activities and business-type activities of the City. There were no settled claims which exceeded insurance coverage during the past three fiscal years.

A loss fund is established to pay the self-insured retention amounts. Self-insured per occurrence limits are \$100,000 for property and liability claims, \$150,000 for workers' compensation, and \$25,000 for crime related claims. Any claims in excess of these established limits are covered by aggregate excess or stop loss insurance. The City financial reporting entity is covered by Florida Statutes under the Doctrine of Sovereign Immunity, which effectively limits the liability of individual claims to \$100,000/\$200,000 for all claims relating to the same incident.

To satisfy GAAP/statutory accounting and regulatory reporting requirements, the pool (Public Risk Management of Florida) retained Casualty Actuarial Consultants, Inc. to estimate ultimate retained losses and net loss reserve requirements as of the fiscal year ended September 30, 2015, (the date of the latest claims liability evaluation). The actuaries have concluded that the loss fund, including contributions not yet received and interest earned on all fund years to date, is sufficient to pay the retained ultimate losses and loss adjustment expenses for all fund years through September 30, 2016. When the ultimate losses ceded under aggregate excess insurance of \$10,668,219 is included, the indicated funding adequacy translates to a claims fund surplus of \$8,773,592 at the booked level of claims reserves which is \$840,000 less than expected reserves. This balance is on a net basis, after specific and aggregate excess insurance.

The City provides hospitalization and medical coverage through commercial insurance carriers.

Major uninsurable risks include damages to infrastructure assets and damages or governmental fines due to seepage, pollution, or contamination of any kind. Since the amounts of loss cannot be reasonably estimated and the likelihood is undeterminable, no provision for such occurrences is included in these financial statements.

CITY OF CLEWISTON, FLORIDA  
Notes to Financial Statements  
September 30, 2016

NOTE 21 - OVER EXPENDITURES

At September 30, 2016, the following items within the governmental funds had expenditures exceeding their budgeted amounts:

<u>Expenditure Type</u>	<u>Over Expenditure</u>
General Fund	
Current	
Public safety	\$ 77,549
Physical environment	13,949

NOTE 22 - SUBSEQUENT EVENTS

The planning, engineering, and permitting phase for the wastewater treatment plant expansion project was completed during the year ended September 30, 2011. As of September 30, 2016, the City had expended \$1,117,500 for the initial phase of the wastewater treatment plant expansion project. The commencement date of construction on the project is dependent upon the availability of grant funding or the addition of a major customer.

Management has evaluated subsequent events through June 21 2017, the date which the financial statements were available for issue.

CITY OF CLEWISTON, FLORIDA  
Required Supplementary Information  
Schedule of Revenues, Expenditures, and Changes in  
Fund Balances - Budget and Actual - Governmental Funds  
Year Ended September 30, 2016

	General Fund			Variance -
	Original Budget	Amended Budget	Actual	Favorable (Unfavorable)
Revenues				
Taxes	\$ 2,902,059	\$ 2,902,059	\$ 2,905,311	\$ 3,252
Licenses and permits	68,775	68,775	143,454	74,679
Intergovernmental	792,813	1,191,790	1,164,298	(27,492)
Charges for services	1,627,585	1,627,585	1,664,938	37,353
Fines and forfeitures	83,900	83,900	66,949	(16,951)
Miscellaneous	200,289	205,289	214,780	9,491
Total revenues	<u>5,675,421</u>	<u>6,079,398</u>	<u>6,159,730</u>	<u>80,332</u>
Expenditures				
Current				
General government	1,660,393	1,672,392	1,461,468	210,924
Public safety	2,576,446	2,823,817	2,901,366	(77,549)
Transportation	559,578	897,526	793,322	104,204
Culture and recreation	1,956,329	2,207,988	2,186,622	21,366
Physical environment	324,428	324,428	338,377	(13,949)
Economic environment	-	30,000	30,000	-
Human services	168,696	168,696	141,199	27,497
Debt service				
Principal retirement	32,494	32,494	32,494	-
Total expenditures	<u>7,278,364</u>	<u>8,157,341</u>	<u>7,884,848</u>	<u>272,493</u>
Excess of revenues under expenditures	<u>(1,602,943)</u>	<u>(2,077,943)</u>	<u>(1,725,118)</u>	<u>352,825</u>
Other financing sources (uses)				
Operating transfers-in	1,439,146	1,439,146	1,438,148	(998)
Loan proceeds	-	475,000	475,000	-
Total other financing sources (uses)	<u>1,439,146</u>	<u>1,914,146</u>	<u>1,913,148</u>	<u>(998)</u>
Excess of revenues and other financing sources under expenditures and other uses	<u>\$ (163,797)</u>	<u>\$ (163,797)</u>	188,030	<u>\$ 351,827</u>
Fund balances - October 1, 2015			<u>(590,412)</u>	
Fund balances - September 30, 2016			<u>\$ (402,382)</u>	

See accompanying notes to budgetary comparison schedule.

CITY OF CLEWISTON, FLORIDA  
Required Supplementary Information  
Schedule of Revenues, Expenditures, and Changes in  
Fund Balances - Budget and Actual - Governmental Funds (continued)  
Year Ended September 30, 2016

	Clewiston Redevelopment Agency Fund			
	Original Budget	Amended Budget	Actual	Variance - Favorable (Unfavorable)
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous	200	200	56	(144)
Total revenues	200	200	56	(144)
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Transportation	-	-	-	-
Culture and recreation	-	-	-	-
Physical environment	-	-	-	-
Economic environment	20,920	20,920	20,420	500
Human services	-	-	-	-
Debt service				
Principal retirement	-	-	-	-
Total expenditures	20,920	20,920	20,420	500
Excess of revenues under expenditures	(20,720)	(20,720)	(20,364)	356
Other financing sources (uses)				
Operating transfers-in	-	-	-	-
Loan proceeds	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Excess of revenues and other financing sources under expenditures and other uses	\$ (20,720)	\$ (20,720)	(20,364)	\$ 356
Fund balances - October 1, 2015			38,508	
Fund balances - September 30, 2016			\$ 18,144	

See accompanying notes to budgetary comparison schedule.

CITY OF CLEWISTON, FLORIDA  
Required Supplementary Information  
Schedule of Revenues, Expenditures, and Changes in  
Fund Balances - Budget and Actual - Governmental Funds (continued)  
Year Ended September 30, 2016

	Other Governmental Fund			Variance -
	Original Budget	Amended Budget	Actual	Favorable (Unfavorable)
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	162,229	178,852	137,329	(41,523)
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous	250	250	204	(46)
Total revenues	<u>162,479</u>	<u>179,102</u>	<u>137,533</u>	<u>(41,569)</u>
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Transportation	-	-	-	-
Culture and recreation	162,479	179,102	137,533	41,569
Physical environment	-	-	-	-
Economic environment	-	-	-	-
Human services	-	-	-	-
Debt service				
Principal retirement	-	-	-	-
Total expenditures	<u>162,479</u>	<u>179,102</u>	<u>137,533</u>	<u>41,569</u>
Excess of revenues under expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses)				
Operating transfers-in	-	-	-	-
Loan proceeds	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues and other financing sources under expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balances - October 1, 2015			<u>-</u>	
Fund balances - September 30, 2016			<u>\$ -</u>	

See accompanying notes to budgetary comparison schedule.



CITY OF CLEWISTON, FLORIDA  
Required Supplementary Information  
Schedule of Revenues, Expenditures, and Changes in  
Fund Balances - Budget and Actual - Governmental Funds (continued)  
Year Ended September 30, 2016

	Total Governmental Funds			Variance -
	Original Budget	Amended Budget	Actual	Favorable (Unfavorable)
Revenues				
Taxes	\$ 2,902,059	\$ 2,902,059	\$ 2,905,311	\$ 3,252
Licenses and permits	68,775	68,775	143,454	74,679
Intergovernmental	955,042	1,370,642	1,301,627	(69,015)
Charges for services	1,627,585	1,627,585	1,664,938	37,353
Fines and forfeitures	83,900	83,900	66,949	(16,951)
Miscellaneous	200,739	205,739	215,040	9,301
Total revenues	<u>5,838,100</u>	<u>6,258,700</u>	<u>6,297,319</u>	<u>38,619</u>
Expenditures				
Current				
General government	1,660,393	1,672,392	1,461,468	210,924
Public safety	2,576,446	2,823,817	2,901,366	(77,549)
Transportation	559,578	897,526	793,322	104,204
Culture and recreation	2,118,808	2,387,090	2,324,155	62,935
Physical environment	324,428	324,428	338,377	(13,949)
Economic environment	20,920	50,920	50,420	500
Human services	168,696	168,696	141,199	27,497
Debt service				
Principal retirement	<u>32,494</u>	<u>32,494</u>	<u>32,494</u>	<u>-</u>
Total expenditures	<u>7,461,763</u>	<u>8,357,363</u>	<u>8,042,801</u>	<u>314,562</u>
Excess of revenues under expenditures	<u>(1,623,663)</u>	<u>(2,098,663)</u>	<u>(1,745,482)</u>	<u>353,181</u>
Other financing sources (uses)				
Operating transfers-in	1,439,146	1,439,146	1,438,148	(998)
Loan proceeds	<u>-</u>	<u>475,000</u>	<u>475,000</u>	<u>-</u>
Total other financing sources (uses)	<u>1,439,146</u>	<u>1,914,146</u>	<u>1,913,148</u>	<u>(998)</u>
Excess of revenues and other financing sources under expenditures and other uses	<u>\$ (184,517)</u>	<u>\$ (184,517)</u>	167,666	<u>\$ 352,183</u>
Fund balances - October 1, 2015			<u>(551,904)</u>	
Fund balances - September 30, 2016			<u>\$ (384,238)</u>	

See accompanying notes to budgetary comparison schedule.

CITY OF CLEWISTON, FLORIDA  
Notes to Budgetary Comparison Schedule - Governmental Funds  
September 30, 2016

**NOTE A - BUDGETARY ACCOUNTING**

The City annually adopts an operating budget for all funds. The procedures for establishing the budgetary data reflected in the budgetary comparison schedule are as follows:

1. During the summer of each year, the Finance Director submits to the City Commission proposed operating budgets for the fiscal year commencing the following October 1. The operating budgets include proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. The City advises the County Property Appraiser of the proposed millage rate and the date, time, and place of the public hearing for budget acceptance.
4. The budget is legally enacted through passage of an ordinance required by City Charter and a resolution required by the State of Florida.
5. The transfer of budget amounts within departments may be requested by department heads and may be made upon approval by the Finance Director and City Manager. The transfer of budgeted amounts between departments requires approval of the City Manager. Budgetary transfers between funds or changes in the total budget of a fund require approval of the City Commission through the passage of a resolution which is required to be posted on the City's website.
6. The amended budget amounts shown in these financial statements are as amended by the required approval process explained above.
7. Formal budgetary integration is employed within the accounting system as a management control device.
8. Budgets for the General and Special Revenue Funds and the Clewiston Redevelopment Agency are adopted on a basis that is substantially consistent with generally accepted accounting principles (GAAP). Budgetary comparisons for all other funds have not been presented in this report.
9. The preceding schedule is presented at the functional level and not the departmental level.

**NOTE B - EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

At September 30, 2016, the following items within the Governmental Funds had expenditures exceeding their budgeted amounts:

<u>Expenditure Type</u>	<u>Over Expenditure</u>
General Fund	
Current	
Public safety	\$ 77,549
Physical environment	13,949

CITY OF CLEWISTON, FLORIDA  
Required Supplementary Information  
Schedule of Proportionate Share of Net Pension Liability  
Florida Retirement System Pension Plan  
Last Ten Fiscal Years **(1)**

Fiscal Year Ended September 30,	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	City's Covered- employee Payroll	City's Proportionate Share of the Net Pension Liability as a Percent of Covered- employee Payroll	Plan Fiduciary Net Position as a Percent of the Total Pension Liability
2014	0.005825680%	\$ 355,452	\$ 815,567	43.58%	96.09%
2015	0.005830618%	\$ 753,103	\$ 903,630	83.34%	92.00%
2016	0.006340252%	\$ 1,600,919	\$ 844,735	189.52%	84.88%

**(1)** This schedule is intended to present data for 10 years. For years prior to 2014, data is unavailable. Additional years will be presented as they become available. The amounts presented for each fiscal year were determined as of the June 30 measurement date. The Plan's fiduciary net position as a percentage of the total pension liability is published in the Plan's Comprehensive Annual Financial Report. The discount rate decreased from 7.65% in 2015 to 7.60% in 2016.

CITY OF CLEWISTON, FLORIDA  
Required Supplementary Information  
Schedule of Employer Contributions  
Florida Retirement System Pension Plan  
Last Ten Fiscal Years **(1)**

Fiscal Year Ended September 30,	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Excess (Deficiency)	City's Covered- employee Payroll	City's Contributions as a Percent of Covered- employee Payroll
2014	\$ 167,764	\$ 167,764	\$ -	\$ 815,567	20.57%
2015	\$ 192,022	\$ 192,022	\$ -	\$ 903,630	21.25%
2016	\$ 171,537	\$ 171,537	\$ -	\$ 844,735	20.31%

**(1)** This schedule is intended to present data for 10 years. For years prior to 2014, data is unavailable. Additional years will presented as they become available.

CITY OF CLEWISTON, FLORIDA  
Required Supplementary Information  
Schedule of Proportionate Share of Net Pension Liability  
Florida Retirement System Retiree Health Insurance Subsidy Program  
Last Ten Fiscal Years **(1)**

<u>Fiscal Year Ended September 30,</u>	<u>City's Proportion of the Net Pension Liability</u>	<u>City's Proportionate Share of the Net Pension Liability</u>	<u>City's Covered- employee Payroll</u>	<u>City's Proportionate Share of the Net Pension Liability as a Percent of Covered- employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percent of the Total Pension Liability</u>
2014	0.002889907%	\$ 270,213	\$ 815,567	33.13%	.99%
2015	0.002872070%	\$ 292,906	\$ 903,630	32.41%	.50%
2016	0.002719782%	\$ 316,979	\$ 844,735	37.52%	.97%

**(1)** This schedule is intended to present data for 10 years. For years prior to 2014, data is unavailable. Additional years will be presented as they become available. The amounts presented for each fiscal year were determined as of the June 30 measurement date. The Plan's fiduciary net position as a percentage of the total pension liability is published in the Plan's Comprehensive Annual Financial Report. The discount rate decreased from 3.8% in 2015 to 2.85% in 2016.

CITY OF CLEWISTON, FLORIDA  
Required Supplementary Information  
Schedule of Employer Contributions  
Florida Retirement System Retiree Health Insurance Subsidy Program  
Last Ten Fiscal Years **(1)**

Fiscal Year Ended September 30,	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Excess (Deficiency)	City's Covered- employee Payroll	City's Contributions as a Percent of Covered- employee Payroll
2014	\$ 9,902	\$ 9,902	\$ -	\$ 815,567	1.21%
2015	\$ 12,283	\$ 12,283	\$ -	903,630	1.36%
2016	\$ 14,023	\$ 14,023	\$ -	844,735	1.66%

**(1)** This schedule is intended to present data for 10 years. For years prior to 2014, data is unavailable. Additional years will be presented as they become available.

CITY OF CLEWISTON, FLORIDA  
Required Supplementary Information  
Schedule of Changes in City's Net Pension Liability and Related Ratios  
Frozen Defined Benefit Retirement Plan  
Fiscal Years Ended September 30,

	2015	2016
Total pension liability		
Service cost	\$ -	\$ -
Interest	772,612	786,296
Changes of benefit terms	-	-
Differences between expected and actual experience	(81,151)	(295,687)
Changes of assumptions	373,079	94,020
Benefit payments, including refunds of member contributions	<u>(438,937)</u>	<u>(467,103)</u>
Net change in total pension liability	625,603	117,526
Total pension liability - beginning of year at 6.75%	<u>11,256,782</u>	<u>11,882,385</u>
Total pension liability - end of year at 7% (a)	<u><u>\$ 11,882,385</u></u>	<u><u>\$ 11,999,911</u></u>
Plan fiduciary net position		
Contributions - employer	\$ 126,960	\$ 122,907
Contributions - employee	-	-
Net investment income	(19,352)	1,105,728
Benefit payments, including refunds of member contributions	(438,937)	(467,103)
Administrative expense	<u>(8,373)</u>	<u>(17,020)</u>
Net change in plan fiduciary net position	(339,702)	744,512
Plan fiduciary net position - beginning	<u>10,436,417</u>	<u>10,096,715</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 10,096,715</u></u>	<u><u>\$ 10,841,227</u></u>
Net pension liability - ending (a) - (b)	<u><u>\$ 1,785,670</u></u>	<u><u>\$ 1,158,684</u></u>
Plan fiduciary net position as a percentage of the total pension liability	84.97%	90.34%
Covered employee payroll	<u><u>\$ -0-</u></u>	<u><u>\$ -0-</u></u>
Net pension liability as a percentage of covered employee payroll	N/A	N/A

(1)

This schedule is intended to show information for 10 years. However, until a full 10-year trend is compiled, information will be presented for those years for which information is available.

CITY OF CLEWISTON, FLORIDA  
Required Supplementary Information  
Schedule of Employer Contributions  
Frozen Defined Benefit Retirement Plan  
Fiscal Year Ended September 30, 2016

<u>Fiscal Year Ended September 30,</u>	<u>(1) Actuarilly Determined Contribution</u>	<u>(2) Contributions Recognized by the Plan</u>	<u>(3) Difference Between (1) and (2)</u>	<u>Covered Payroll</u>	<u>Contributions Recognized by the Plan as a Percent of Covered Payroll</u>
2007	\$ 290,988	\$ 290,988	\$ -	\$ 2,392,475	12.16%
2008	\$ 297,996	\$ 297,996	\$ -	\$ 2,538,659	11.74%
2009	\$ 404,902	\$ 404,902	\$ -	\$ 2,627,530	15.41%
2010	\$ 525,216	\$ 525,216	\$ -	\$ 2,539,065	20.69%
2011	\$ 491,049	\$ 491,049	\$ -	\$ 2,736,523	17.94%
2012	\$ 802,061	\$ -	\$ 802,061	\$ 2,766,512	29.00%
2013	\$ 238,320	\$ 238,320	\$ -	\$ -	-
2014	\$ 129,827	\$ 360,000	\$ (230,173)	\$ -	-
2015	\$ 75,515	\$ 126,690	\$ (51,175)	\$ -	-
2016	\$ 122,907	\$ 122,907	\$ -	\$ -	-

See accompanying notes to Required Supplementary Information - Frozen Defined Benefit Retirement Plan.



CITY OF CLEWISTON, FLORIDA  
Required Supplementary Information  
Schedule of Investment Returns  
Frozen Defined Benefit Retirement Plan  
Fiscal Year Ended September 30, 2016 **(1)**

<u>Fiscal Year Ended September 30,</u>	<u>Money Weighted Rate of Investment Return</u>
2010	10.67%
2011	-.37%
2012	19.62%
2013	15.40%
2014	11.93%
2015	-.19%
2016	11.16%

**(1)** This schedule is intended to show information for 10 years. However, until a full 10-year trend is compiled, information will be presented for those years for which information is available.

CITY OF CLEWISTON, FLORIDA  
Notes to Required Supplementary Information  
Frozen Defined Benefit Retirement Plan  
Fiscal Year Ended September 30, 2016

NOTE A - INFORMATION USED TO DETERMINE THE NET PENSION LIABILITY

Employer's reporting date:	September 30, 2016
Measurement date:	September 30, 2016
Actuarial valuation date:	October 1, 2016
Actuarial cost method:	Individual entry age normal cost method
Amortization method:	Level dollar, open
Asset valuation method:	The actuarial value of assets equals the fair market value as of the valuation date (including any discounted receivable contributions), plus 2/3 of the actual earnings minus expected earnings for the preceding 12 months (plan year), plus 1/3 of the actual earnings minus expected earnings for the 12 months (plan year) preceding that date, as described in the Internal Revenue Notice 2009-22. The actuarial value of assets is adjusted to be within 90-110% of the fair market value on the valuation date.

Actuarial Assumptions for  
Basic Valuation

	<u>October 1, 2016</u>	<u>October 1, 2015</u>
<u>Interest</u>		
Pre-retirement and post-retirement	7% per annum compounded annually	6.75% per annum compounded annually
<u>Mortality rates</u>		
Pre-retirement and post-retirement	IRS Prescribed Mortality RP2000 - Generational White Collar Annuitant using Scale BB for females RP2000 - Generational Blended 50% White Collar and 50% Blue Collar Annuitant using Scale BB for males	IRS Prescribed Mortality RP2000 - Generational White Collar Non-annuitant using Scale AA for male and female
Termination rates	2003 Society of Actuaries Small Plan Age Table multiplied by .70	
Disability rates	1987 Commissioner's Group Disability Table	
Salary projections	None - as the Plan has been frozen	
Retirement age	Active: Earlier of age 62 with 10 years of service or age 65 with 5 years of participation Inactive: Normal retirement date	
Percent married	75%, husbands are 3 years older than wives	
Expenses	Estimated annual expenses	
Cost-of-living increase	3% per annum	

CITY OF CLEWISTON, FLORIDA  
Schedule of Revenues and Expenses -  
Business-type Activities - Water and Sewer Fund  
Water and Sewer Systems  
Year Ended September 30, 2016

	<u>Water System</u>	<u>Sewer System</u>	<u>Totals</u>
Operating revenues			
Charges for services	<u>\$ 2,076,721</u>	<u>\$ 1,357,260</u>	<u>\$ 3,433,981</u>
Operating expenses			
Personal services	210,813	450,129	660,942
Contractual services	709,318	278,230	987,548
Supplies	24,522	87,205	111,727
Utilities	260,043	176,327	436,370
Insurance	18,618	12,378	30,996
Repairs and maintenance	90,225	203,702	293,927
Depreciation	493,290	298,679	791,969
Miscellaneous	<u>1,577</u>	<u>1,002</u>	<u>2,579</u>
Total operating expenses	<u>1,808,406</u>	<u>1,507,652</u>	<u>3,316,058</u>
Operating income (loss)	<u>268,315</u>	<u>(150,392)</u>	<u>117,923</u>
Nonoperating revenues (expenses)			
Interest income	7,610	19,528	27,138
Miscellaneous	-	7,590	7,590
Interest expense and fiscal charges	<u>(545,642)</u>	<u>(20,479)</u>	<u>(566,121)</u>
Total nonoperating revenues (expenses)	<u>(538,032)</u>	<u>6,639</u>	<u>(531,393)</u>
Loss before contributions and operating transfers	(269,717)	(143,753)	(413,470)
Capital contributions	65,431	54,650	120,081
Operating transfers-out	<u>(209,860)</u>	<u>(137,156)</u>	<u>(347,016)</u>
Changes in net position	<u>\$ (414,146)</u>	<u>\$ (226,259)</u>	<u>\$ (640,405)</u>

CITY OF CLEWISTON, FLORIDA  
Schedule to Determine Compliance With  
Interlocal Fire Protection Agreement  
For the Fiscal Year Ended  
September 30, 2016

Departmental expenditures per Statement  
of Revenues, Expenditures, and Changes in  
Fund Balance of Governmental Funds  
(See page 18)

Expenditures - current	
Public safety	
Fire	\$ 454,960
Less First Responder costs to be paid	
by Hendry County	(32,957)
One-fifth cost of 2012 fire truck purchased	
(net of insurance proceeds of \$223,085) - (5 of 5)	<u>6,177</u>
Total Fire Department expenditures as adjusted	428,180
Hendry County's reimbursement percentage of Fire	
Department expenditures per agreement	67%
Portion of Fire Department expenditures to be paid	
by Hendry County	286,880
First Responder costs to be paid by Hendry County	<u>32,957</u>
Total Fire Department and First Responder	
expenditures to be reimbursed by Hendry County	319,837
Total previously received from Hendry County for Fire Services	<u>245,276</u>
Amount due from Hendry County for the	
fiscal year ended September 30, 2016	<u>\$ 74,561</u>

CITY OF CLEWISTON, FLORIDA  
Schedule to Determine Compliance With  
Interlocal Animal Control Agreement  
For the Fiscal Year Ended  
September 30, 2016

Departmental expenditures per Statement  
of Revenues, Expenditures, and Changes in  
Fund Balance of Governmental Funds  
(See page 18)

Expenditures - current  
Human services  
Animal Control

\$ 141,199

Hendry County's reimbursement percentage of  
Animal Control expenditures per agreement

67%

Portion of Animal Control expenditures to be paid  
by Hendry County

94,604

Total received from Hendry County for Animal  
Control services

73,422

Amount due from Hendry County for the  
fiscal year ended September 30, 2016

\$ 21,182

CITY OF CLEWISTON, FLORIDA  
Schedule of Expenditures of Federal  
Awards and State Financial Assistance  
Year Ended September 30, 2016

Federal Agency / State Pass Through Entity / Federal Program	CFDA Number	Grant Contract Number	Program or Award Amount	Expenditures	Transfers to Sub-recipients
<b>U.S. Department of Justice - Bureau of Justice Assistance</b>					
(G) Bulletproof Vest Partnership Program	16.607	2014-BUBX14074047	\$ 1,675	\$ 1,675	\$ -
<b>U.S. Department of Justice - Bureau of Justice Assistance</b>					
Passed Through State of Florida, Office of Criminal Justice Grants, Florida Department of Law Enforcement and Passed Through Hendry County BOCC					
Edward Byrne Memorial Justice Assistance Grant Program FY 2015					
(G) Local Solicitation	16.738	2015-DJ-BX-0487	\$ 4,906	4,906	-
Passed Through State of Florida, Office of Criminal Justice Grants, Florida Department of Law Enforcement					
(G) Mobile Communications Upgrade Phase IIA	16.738	2016-JAGD-HEND-1-H4-036	\$ 2,480	<u>2,480</u>	<u>-</u>
<b>Total U.S. Department of Justice</b>				<u>9,061</u>	<u>-</u>
<b>Total Expenditures of Federal Awards</b>				<u>\$ 9,061</u>	<u>\$ -</u>

CITY OF CLEWISTON, FLORIDA  
Schedule of Expenditures of Federal  
Awards and State Financial Assistance (continued)  
Year Ended September 30, 2016

State Agency /State Program	CSFA Number	Grant Contract Number	Program or Award Amount	Expenditures	Transfers to Sub-recipients
<b>Florida Department of State</b>					
(G) Division of Library and Information Services					
Fiscal Year 2015-2016					
State Aid to Libraries Grant	45.030	16-ST-18	\$ 178,852	\$ 137,329	\$ 61,388
<b>Florida Fish and Wildlife Conservation Commission</b>					
(G) Florida Boating Improvement Program - City of Clewiston Marina Boat Ramp Parking	77.006	14332	\$ 75,500	35,607	-
<b>Florida Department of Transportation</b>					
(G) Small County Outreach Program and Rural Areas of Opportunity - Pasadena Avenue	55.009	G0118	\$ 295,000	243,663	-
<b>Florida Department of Economic Opportunity</b>					
(G) Community Planning Technical Assistance Grant	40.038	P0160	\$ 30,000	30,000	-
<b>Florida Department of Law Enforcement</b>					
(G) City of Clewiston - Police Station	71.017	G1603	\$ 1,500,000	<u>26,830</u>	<u>-</u>
<b>Total Expenditures of State Financial Assistance</b>				<u>\$ 473,429</u>	<u>\$ 61,388</u>

CITY OF CLEWISTON, FLORIDA  
Notes to Schedule of Expenditures of Federal  
Awards and State Financial Assistance  
For the Year Ended September 30, 2016

**NOTE A - REPORTING ENTITY**

For reporting entity purposes, the Schedule of Federal Awards and State Financial Assistance includes all the activities of the City of Clewiston's primary government and its blended component unit. The City had no discretely presented component units. Federal award programs and state financial assistance projects recorded in the City's governmental activities are noted by (G). There were no federal award programs or state financial assistance projects recorded in the business-types activities during the fiscal year ended September 30, 2016.

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies and presentation of the Schedule of Expenditures of Federal Awards and State Financial Assistance are in accordance with accounting principles generally accepted in the United States of America as applicable to governmental organizations.

**NOTE C - STATE REVOLVING FUND LOANS**

The City had the following State Revolving Fund loan balances outstanding at September 30, 2016. There were no current year additions to the loan balances to be included in the Federal expenditures presented in the Schedule of Expenditures of Federal Awards and State Financial Assistance for the fiscal year ended September 30, 2016.

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Total Outstanding as of September 30, 2016</u>
State Revolving Fund	66.458	WW260400	\$539,223
State Revolving Fund	66.458	WW260401	\$269,512

**NOTE D - SUBRECIPIENTS**

The City provided state financial assistance to subrecipients as follows:

<u>Program Title</u>	<u>State CSFA Number</u>	<u>Amount Transferred to Subrecipient</u>
State Aid to Libraries Grant	45.030	
Harlem Public Library		\$ 30,590
Barron Public Library		<u>30,798</u>
		<u>\$ 61,388</u>



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## MEMBERS

AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

FLORIDA INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

### INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Mayor and City Commissioners  
City of Clewiston, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Clewiston, Florida, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Clewiston, Florida's basic financial statements and have issued our report thereon dated June 21, 2017.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Clewiston, Florida's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Clewiston, Florida's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Clewiston, Florida's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect, and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control (Finding 2009-1) described in the accompanying schedule of findings and responses that we consider to be a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Clewiston, Florida's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **City of Clewiston, Florida's Response to Finding**

The City of Clewiston, Florida's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The City of Clewiston, Florida's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Bay, Miller, Kisker & Perry, P.A.*

Clewiston, Florida  
June 21, 2017

CITY OF CLEWISTON, FLORIDA  
Schedule of Findings and Responses  
For the Year Ended September 30, 2016

Finding 2009-1 - Internal Control Over Financial Reporting (Material Weakness)

Condition: The City should have the skills and competencies necessary to prevent, detect, and correct a material misstatement in its financial statements.

Criteria: Statement on Auditing Standards require the auditor to determine if the City is capable of preparing the enclosed financial statements and has the skills and competencies necessary to prevent, detect, and correct a material misstatement in its financial statements.

Cause: The City does not currently have the skills and competencies necessary to prepare the financial statements and to prevent, detect, and correct a material misstatement in its financial statements.

Effect: A material misstatement in the financial statements of the City may not be prevented, detected, and corrected by the City.

Recommendation: The City should develop a strategy to address the material weakness in internal control over financial reporting.

Views of Responsible Officials and Planned Corrective Actions: We have made significant progress in preparing the end of year adjustments needed for the auditable financial statements. Over the next year we hope to be able to create reports in our software that will create the auditable financial statements.

Finding 2012-1 - Decrease in Unassigned Fund Balance of Governmental Funds (Observation)

Condition: Over the past ten years the unassigned fund balance of the governmental funds of the City has decreased from \$2,678,969 as of September 30, 2006, to a deficit balance of \$869,203 as of September 30, 2016. The City has budgeted expenditures for the governmental funds equal to revenues for the fiscal year ending September 30, 2017.

Criteria: Sound financial management considers the need for adequate reserves to handle unforeseen financial events in the future.

Cause: Governmental net revenues have been less than governmental expenditures in fiscal years prior to the current year.

Effect: Unassigned fund balance of the governmental funds continues to be a deficit balance.

Recommendation: The City should continue to carefully monitor the financial condition within the governmental funds.

We recommend that the City evaluate its future revenue sources and spending plans within the governmental funds to re-establish adequate reserves.

Views of Responsible Officials and Planned Corrective Actions: The City recognizes that the unassigned fund balance is still in a deficit position. The City will continue to define and implement measures to restrict spending so that reserves will be enhanced.

# BOY, MILLER, KISKER & PERRY, P.A.

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## MEMBERS

AMERICAN INSTITUTE OF  
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### INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH THE REQUIREMENTS OF SECTION 218.415, FLORIDA STATUTES

Honorable Mayor and City Commissioners  
City of Clewiston, Florida

We have examined the City of Clewiston, Florida's compliance with the requirements of Section 218.415, Florida Statutes, as of and for the year ended September 30, 2016, as required by Section 10.556(10)(a), Rules of the Auditor General of the State of Florida. Management is responsible for the City of Clewiston, Florida's compliance with those requirements. Our responsibility is to express an opinion on the City of Clewiston, Florida's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the City of Clewiston, Florida's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City of Clewiston, Florida's compliance with specified requirements.

In our opinion, the City of Clewiston, Florida, complied, in all material respects, with the aforementioned requirements for the fiscal year ended September 30, 2016.

This report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, management, and the City Commissioners and applicable management of the City of Clewiston, Florida, and is not intended to be and should not be used by anyone other than these specified parties.

*Boy, Miller, Kisker & Perry, P.A.*

Clewiston, Florida  
June 21, 2017

# BOY, MILLER, KISKER & PERRY, P.A.

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## INDEPENDENT AUDITOR'S MANAGEMENT LETTER

Honorable Mayor and City Commissioners  
City of Clewiston, Florida

### **Report on the Financial Statements**

We have audited the financial statements of the City of Clewiston, Florida, as of and for the fiscal year ended September 30, 2016, and have issued our report thereon dated June 21, 2017.

### **Auditor's Responsibility**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Auditor General.

### **Other Reports and Schedule**

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Schedule of Findings and Responses, and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated June 21, 2017, should be considered in conjunction with this management letter.

### **Prior Audit Findings**

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report, except as noted below under the heading Prior Year Findings and Recommendations.

#### **PRIOR YEAR FINDINGS AND RECOMMENDATIONS**

See Findings 2009-1 and 2012-1 which are described in the Schedule of Findings and Responses on page 96 and were included in the second preceding fiscal year annual financial audit report.

### **Official Title and Legal Authority**

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. Such disclosure is included in the notes to the financial statements.

### **Financial Condition**

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether or not the City of Clewiston, Florida, has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City of Clewiston, Florida, did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the City of Clewiston, Florida's, financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

### **Annual Financial Report**

Sections 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the City of Clewiston, Florida, for the fiscal year ended September 30, 2016, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2016. In connection with our audit, we determined that these two reports were in agreement.

### **Special District Component Units**

Section 10.554(1)(i)5.d Rules of the Auditor General, requires that we determine whether or not a special district that is a component unit of a county, municipality, or special district provided the financial information necessary for proper reporting of the component unit, within the audited financial statements of the county, municipality, or special district in accordance with Section 218.29(3)(b), Florida Statutes. Such disclosure is included in the notes to the financial statements.

### **Other Matters**

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. See the observation made during the audit which is described in the Schedule of Findings and Responses as Finding 2012-1.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material, but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

### **Purpose of this Letter**

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and Florida House of Representatives, the Florida Auditor General, Federal and State granting agencies, the City Commissioners and applicable management of the City of Clewiston, Florida, and is not intended to be and should not be used by anyone other than these specified parties.

*Boy, Miller, Kisker & Perry, P.A.*

Clewiston, Florida  
June 21, 2017

# CITY OF CLEWISTON

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CLEWISTON, FL 33440

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AREA CODE 863

FAX 983-4055  
AREA CODE 863

June 20, 2017

Ms. Sherrill F. Norman, CPA  
Auditor General, State of Florida  
111 West Madison Street  
Claude Denson Pepper Building  
Tallahassee, Florida 32399-1450

Reference: City of Clewiston's response to auditors' findings in the Schedule of Findings and Responses for the Fiscal Year 2015 - 2016.

Dear Ms. Norman:

The Rules of the Auditor General require the audit report to include a written statement of explanation, including corrective action to be taken, or a rebuttal regarding any deficiencies cited by the auditor in the annual financial report.

## AUDITORS' FINDINGS REPORTED IN THE SCHEDULE OF FINDINGS AND RESPONSES

### Prior Year Comments Which Continues to Apply

#### Finding 2009-1 – Internal Control over Financial Reporting

We are a small entity with limited resources. We continue to make improvements in preparing the end of year adjustments needed for the auditable financial statements. Over the next year, it is our goal to utilize our software to create reports which will create the auditable financial statements.

#### Finding 2012-1 – Decrease in Unassigned Fund Balance of Governmental Funds

We will continue to implement cost saving measures; monitoring expenditures and trimming them when possible. It is our intention to consider this condition accordingly during budget preparation and include measures to aid in improving our reserves when possible.

#### Current Year Comments and Recommendations

None

Sincerely,

CITY OF CLEWISTON



Shari Howell  
Finance Director